



**DEZAN SHIRA & ASSOCIATES**

Your Partner for Growth in Asia

## Remotely Establishing Entities in Asia: China's Mainland vs. Hong Kong vs. Singapore



In cooperation with

**FINNCHAM**  
SHANGHAI

Webinar | 15th June 2022 | Wednesday | Dezan Shira & Associates





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# About Us

1992

Dezan Shira's establishment

500+

Our **team** of legal, tax, accounting, business intelligence and audit professionals

3,000+

Multinational **clients** that have already chosen us

80+

**Countries** served by our professional services

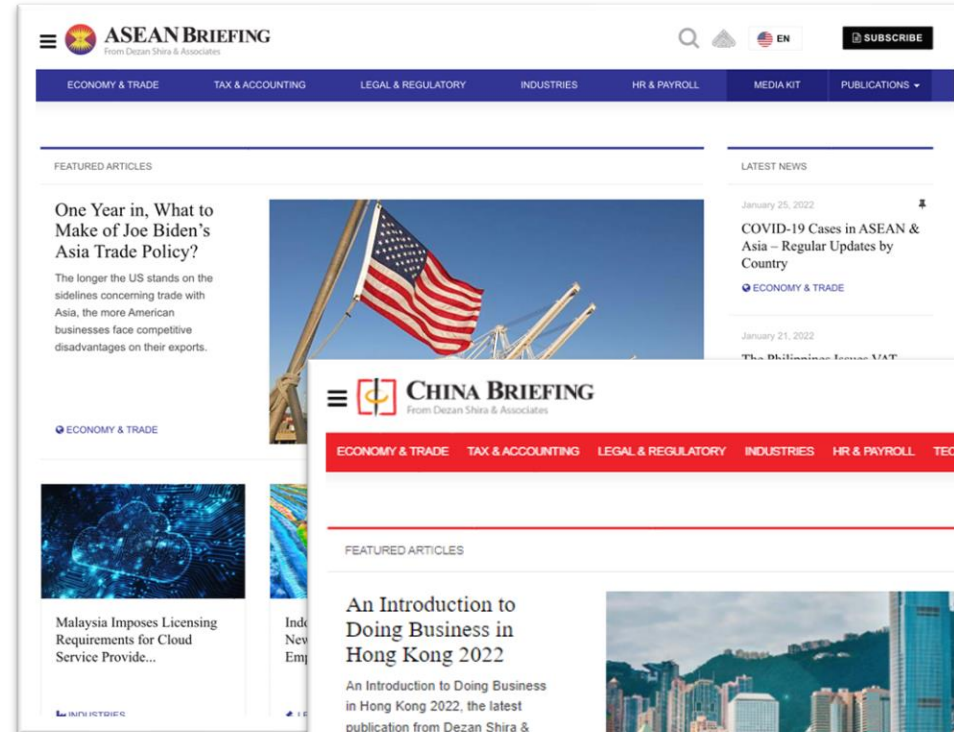
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**Offices** in China, Hong Kong, India, Vietnam, Singapore, Indonesia and Mongolia; Liaison offices in Italy, the United States and Germany, and Asian Alliance offices in Malaysia, the Philippines, Thailand, Bangladesh, Japan, South Korea and Taiwan.

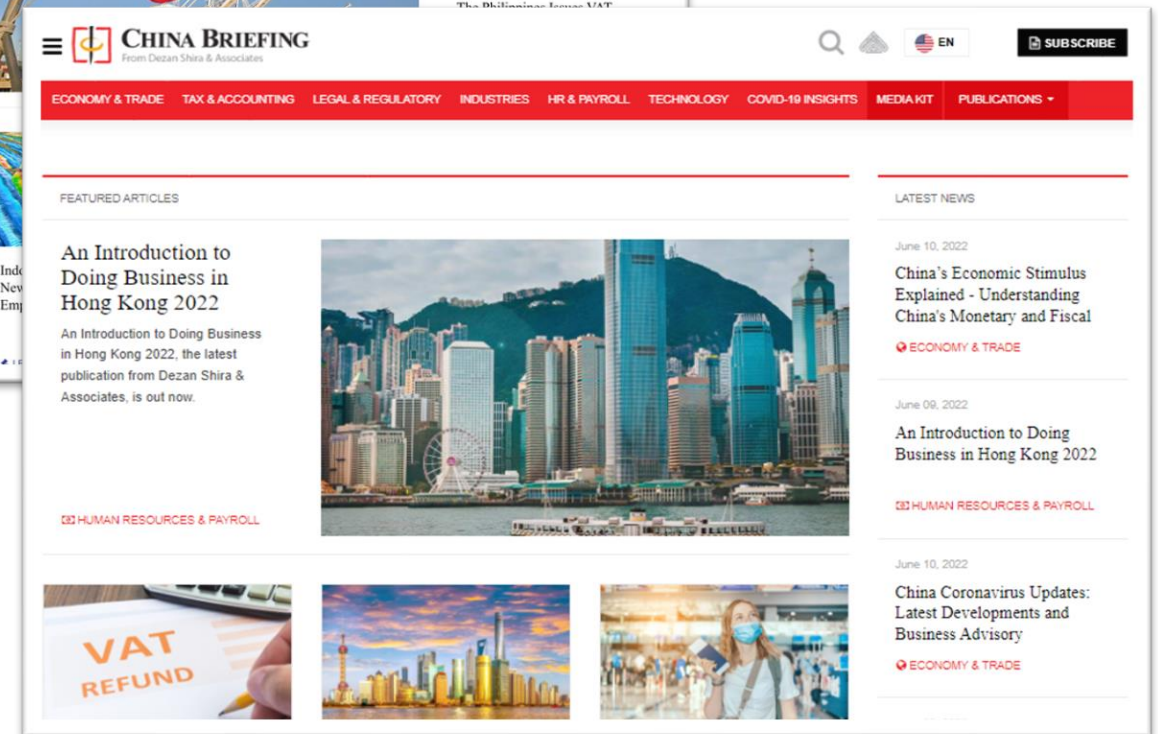




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01

# Establishing Your Business

Mainland China



# Negative List / Encouraged

## | Some Frequent Inquired Industries



Information  
communication



Medical Institutions



Education/  
Sports



Financial Services  
(Wealth Management/  
insurance)

### Encouraged

- E-commerce system development service
- Development and application services for online education, online medical and online office system

### Encouraged

- Can be operated solely by foreigners. (this is something new to the 2020 catalogue)

### Restricted

- preschool, regular senior high schools and higher education institutions must be Sino-Foreign cooperation
- must be controlled by Chinese partner

### Permitted

- Foreign Ownership of securities companies, securities investment fund management companies, future companies and life insurance companies are now lifted.
- All restrictions of foreign investment are lifted.

### Prohibited

- Internet news service, internet publishing service, internet audio-visual program service, etc.

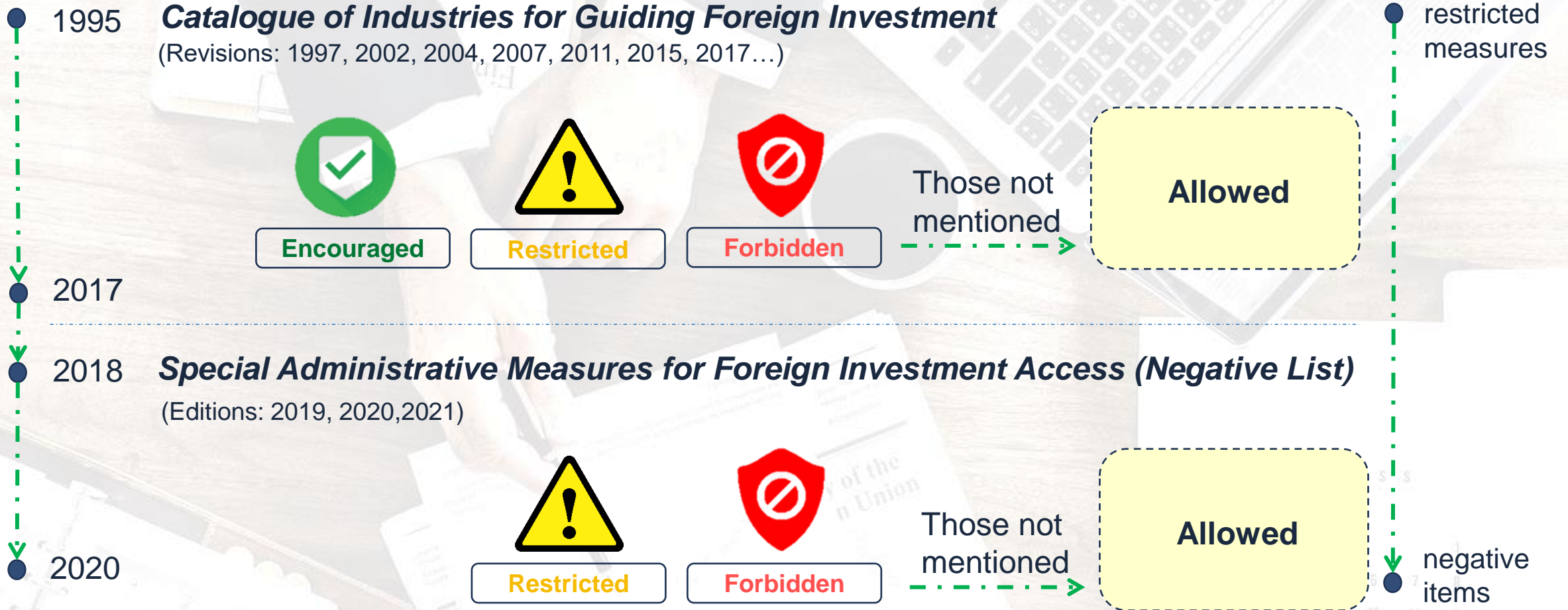
### Encouraged

- Non-academic vocational training institutions (football schools)
- Non-academic language training institutions (except compulsory education)

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# Negative List

## | What is Negative List?





02

## Establishing Your Business

— Different Entity Types





# Main types of investment vehicles: JV vs WFOE vs RO



## PROS



## CONS

### Sino-Foreign Joint Venture (JV)

- ✓ Help the foreign investor to invest in those restricted industries on the Negative List
- ✓ The Chinese partner may provide efficient and competitive resources as they are familiar to the market

- Risk of cooperation dispute
- Less voting
- More documents to prepare

### Wholly Foreign Owned Enterprise (WFOE)

- ✓ Foreign investor has full control
- ✓ More straightforward on document drafting and preparation

- Cannot engage in some restricted industries
- Information and resource limited, due to not familiar with the market

### Representative Office (RO)

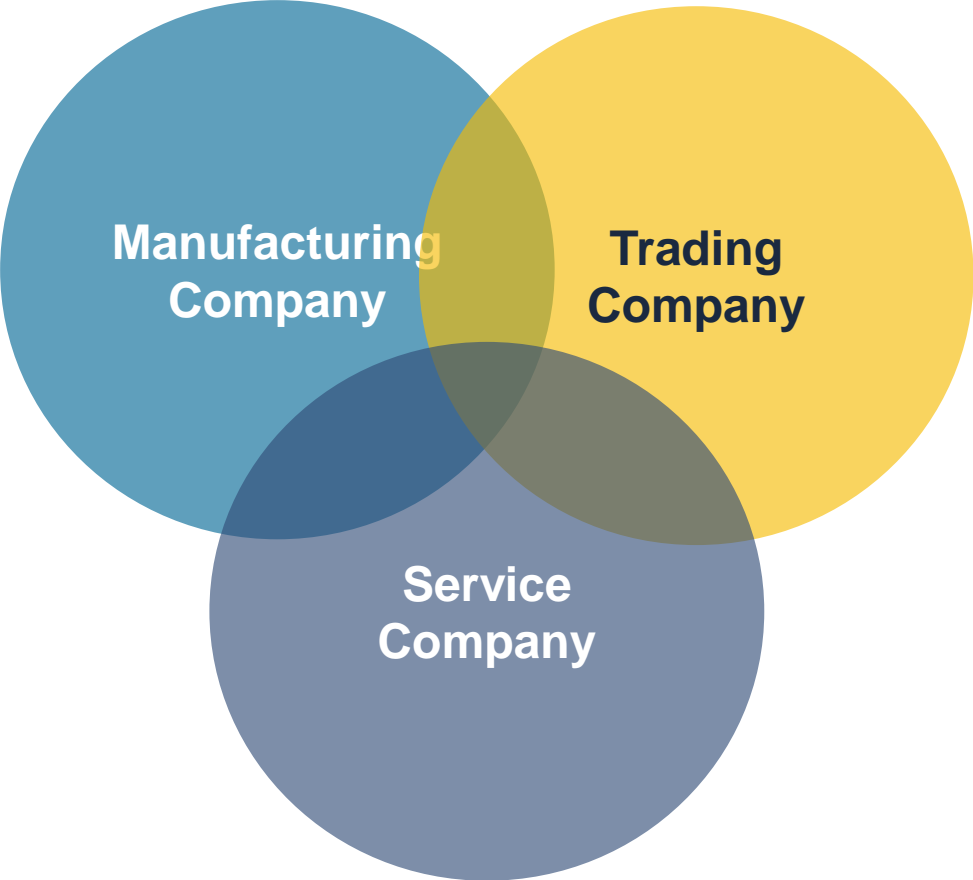
- ❖ An office in China established by a foreign enterprise
- ❖ It is merely a representative of the foreign enterprise, is not regarded as a "legal person" - means its liabilities are tied to the HQ

- ✓ A tentative try in the Chinese market
- ✓ Does not require Registered Capital
- ✓ Relatively short timeline to set up: takes roughly 1~3 months to complete all establishment procedures
- ✓ Relatively easy to establish and maintain
- ✓ Can do liaison activities on behalf of the HQ in carrying out trade business

- The foreign enterprise must have been in existence for **2 years**
- Only allowed to engage in non-profit-making activities: market research, exhibition/ promotional activities relating to the products or services of the foreign enterprise; liaison activities relating to sale of products, provision of services, procurements and investments in China of the foreign enterprise. **Profit-making activities are forbidden.**
- Cannot hire staff directly

# Different entity types: **Service** vs **Trading** vs **Manufacturing**

## | **Business Activities**



**Service**

- + Provide service to customers

**Trading**

- + Purchase goods from suppliers
- + Sell goods to customers
- + Import / Export goods

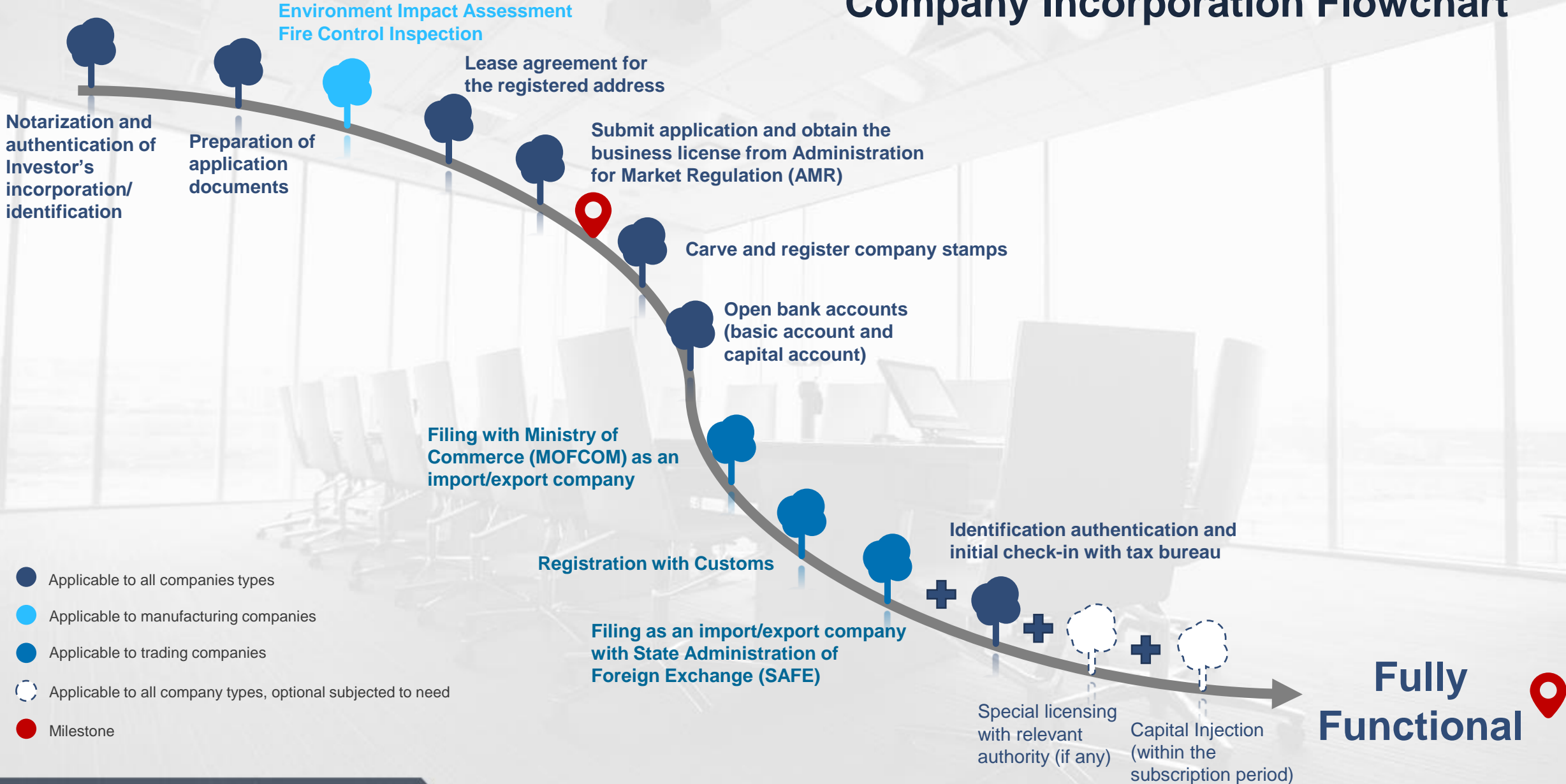
**Manufacturing**

- + Purchase raw materials from suppliers
- + Manufacture products in China
- + Sell the self-manufactured products to distributors/ customers





# Company Incorporation Flowchart



- Applicable to all companies types
- Applicable to manufacturing companies
- Applicable to trading companies
- Applicable to all company types, optional subjected to need
- Milestone

# Different entity types: **Service** vs **Trading** vs **Manufacturing** vs **Rep. office**

## | **Timeframe of Incorporation**



 Get Business License

 Fully Functional



03

# Introduction to the PRC Tax System



# Introduction to the PRC Tax System

1

## Property and behavior taxes

- Land Appreciation Tax
- Real Estate Tax
- Urban and Township Land Use Tax
- Arable Land Use Tax
- Deed Tax
- Resources Tax
- Vehicle and Vessel Tax
- Stamp Duty
- Urban Maintenance and Construction Tax
- Tobacco Tax
- Vessel Tonnage Tax
- Environmental Protection Tax

2

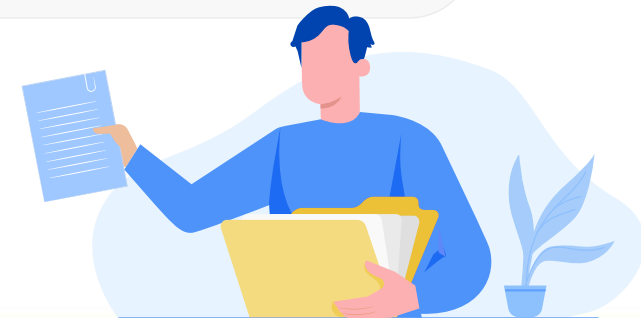
## Goods and services taxes

- Value-added Tax (VAT)
- Consumption Tax
- Vehicle Purchase Tax
- Customs Duty

3

## Income taxes

- Corporate Income Tax (CIT)
- Individual Income Tax (IIT)

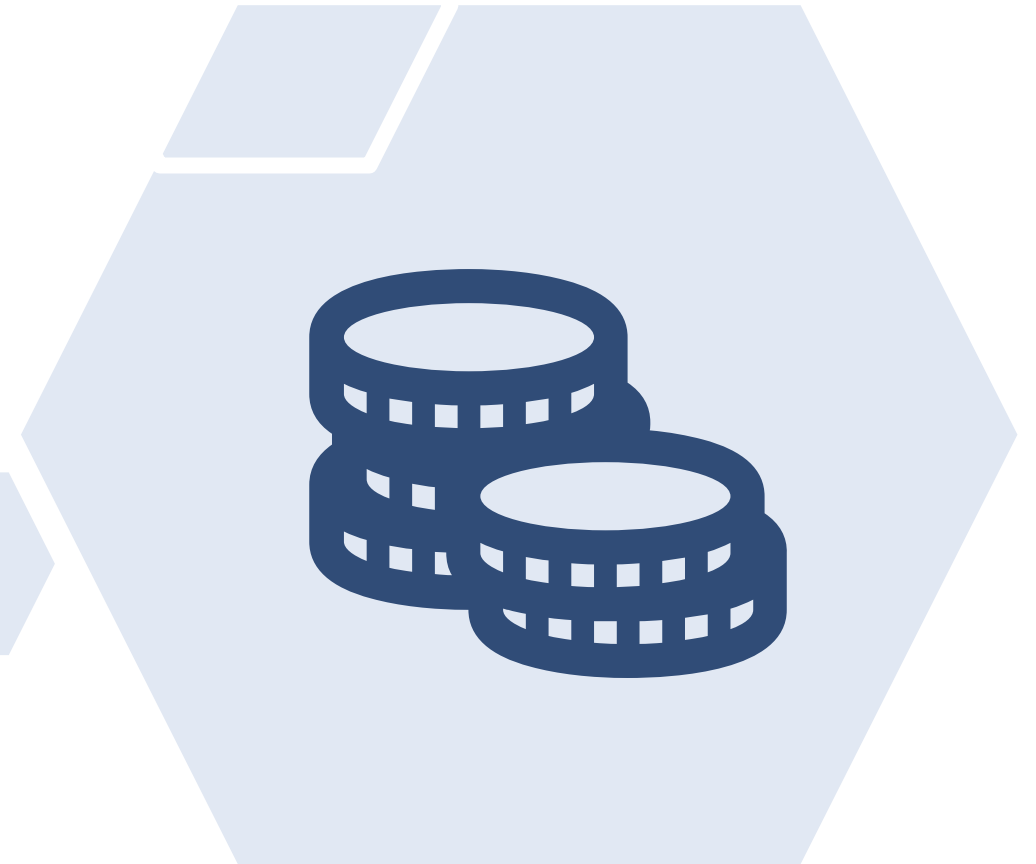




# Introduction to the PRC Tax System

## Value-added Tax (VAT)

- The sales or importation of goods, the provision of services, and the sales of intangible properties and immovable properties are subject to VAT.
- Taxpayers are classified as General VAT taxpayer and Small-scale VAT taxpayer.
- Tax rates for Small-scale VAT taxpayer: 3%.
- Tax rates for General VAT taxpayer: 0%, 5%, 6%, 9% and 13%. The VAT for purchase is generally deductible from its sales VAT.



# Introduction to the PRC Tax System

## Corporate Income Tax

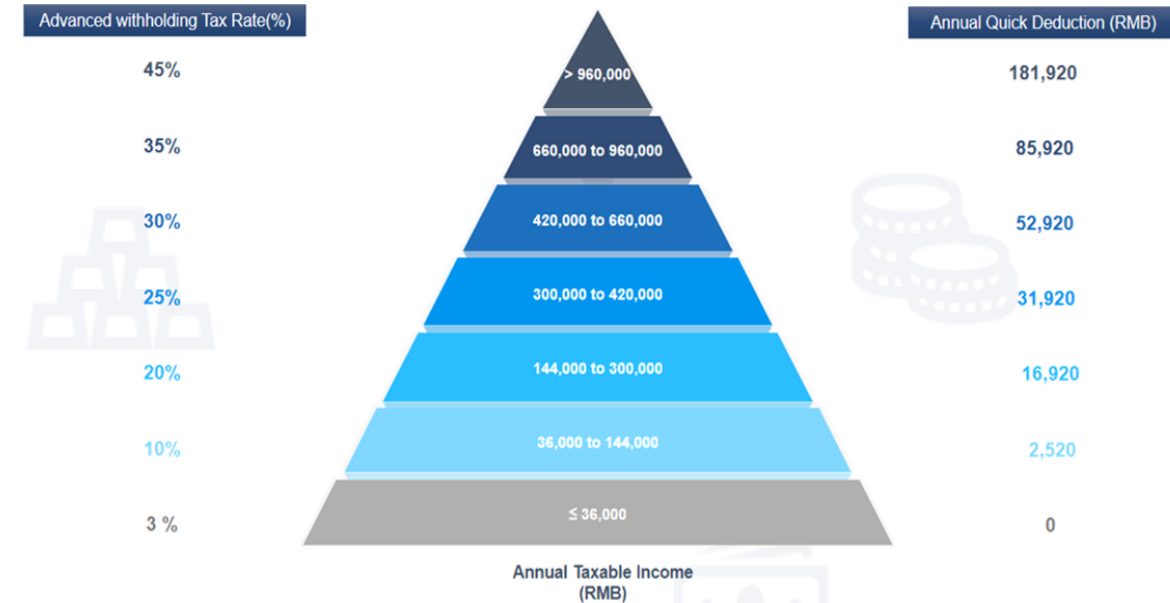
- WFOEs are subject to corporate income tax (CIT) on their worldwide income.
- The standard tax rate is 25% on taxable income.
- There is no local or provincial income tax in China.
- A lower CIT rate is available for companies operating in certain industries as well as for those companies which satisfy specific criteria. A non-exhaustive list has been listed below:
  - Qualified new/high tech enterprises are eligible for a reduced CIT rate of 15%.
  - Qualified integrated circuit (IC) production enterprises are eligible for a reduced CIT rate of 15%.
  - Key software production enterprises and IC design enterprises are eligible for a reduced CIT rate of 10%.
  - Advanced technology service enterprises are eligible for a reduced CIT rate of 15%.
  - Etc.



# Introduction to the PRC Tax System

- For employment income, an employer is obligated to withhold individual income tax from an employee's salary and settle the payment with the tax authorities on a monthly basis.
- Foreign employees are also subject to IIT in China if meeting the criteria:
  - **Foreign individuals who reside in China for less than 183 days will be taxed only on their China-source income.**
  - **Foreign individuals who reside in China for 183 days or more in a tax year but not more than six consecutive years will be subject to tax on both their China-source income and their foreign-source income. However, as a concession, foreign-source income is taxed only to the extent of income paid and/or borne by a China entity or individual.**
  - **Foreign individuals who reside in China for 183 days or more per year for over six consecutive years will be subject to IIT on their worldwide income from the seventh consecutive year onward if foreign individuals reside in China for 183 days or more during the year.**
  - **Foreign individuals who travel to China and derive income from an overseas employer with no permanent establishment in China will be tax exempt if they do not physically stay in China cumulatively for more than 90 days in a calendar year.**

## IIT Rate for Resident Taxpayers





# Introduction to the PRC Tax System

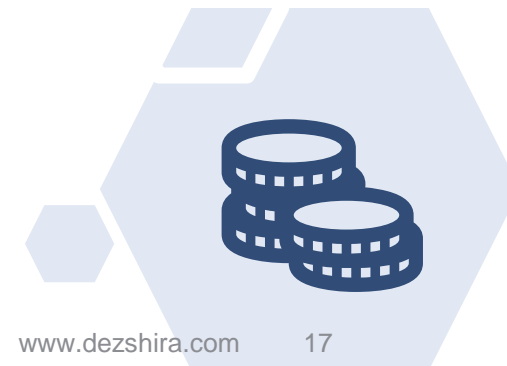
## Individual Income Tax Subsidy

- Nine Cities in Guangdong-Hong Kong-Macao Greater Bay Area (GBA)  
Guangzhou, Shenzhen, Dongguan, Zhuhai, Huizhou, Zhaoqing, Jiangmen, Foshan, Zhongshan
- Subsidy will be granted to qualified overseas (including Hong Kong, Macau and Taiwan) talent who works in the nine cities to offset differences in the IIT burden between mainland China and HK.
- The subsidies will be exempt from IIT itself.
- Detailed standards for oversea high-end and urgently-needed talents are determined by the government of each city.
- The subsidies will be for a period of five years, ending **December 31, 2023**.
- The general policy issued by Guangdong Province stipulates the portion of IIT that the talent paid in the nine cities which exceeds 15 percent of their taxable income could enjoy financial subsidy from the governments of the 9 cities in a calendar year.

**The subsidy amount = the amount of IIT paid in 9 cities– taxable income × 15%**

Possible Income Savings under GBA IIT Subsidy Scheme in Shenzhen				
How Much Can be Saved: Shenzhen (RMB)				
Income	400,000	600,000	800,000	1,000,000
Standard deduction	60,000	60,000	60,000	60,000
Taxable income	340,000	540,000	740,000	940,000
IIT paid	53,080	109,080	173,080	243,080
15% of taxable income	51,000	81,000	111,000	141,000
Subsidies	2,080	28,080	62,080	102,080

*Graphic © Asia Briefing Ltd.*



# Is it possible to establish a company in mainland remotely?

**Yes!**

If you sign a POA to an entrusted person or company, they can manage the whole process for you

However, be aware that the regulations demand that the Legal Representative of the company, when incorporating said company, shall be physically present:



**At the Bank**



**At the Tax Bureau**



## **Solution:**

Grant the role of legal representative to a third party (consultant, lawyer) until the travel restrictions allow for more freedom of movement and the person actually intended for this role, can travel to China.



## **The Legal Representative role is of great importance:**

- Acting (legally) to conserve the company's assets;
- Executing powers of attorney on the company's behalf;
- Authorizing legal representation of and litigation by the company;
- executing any legal transactions that are within the nature and scope of that company's business.
- Managing seals (Chops)



04

# Establishing Your Business

Hong Kong





# Main Types of Private Companies Best Suited to Invest in Hong Kong

## Private company limited by shares (Limited or Ltd)

The standard trading company and **by far the most usual type of company.**

## Sole Proprietorship

Sole proprietorship is considered the easiest and simplest form of business. As the name suggests, the business is owned and operated by a sole person

## Partnership

## Limited liability partnership (LLP)

Widely used for small business and professional firms.

### Step 1

#### Decide on the Company Type

Different company types are available for different business requirements. Private company limited by shares is the most common setup..

### Step 2

#### Decide on the Company Name

The proposed company name must be distinct from the registered company names on the index of Companies Registry, and it should reflect the business nature of the company. All Hong Kong company names must end with a suffix 'Limited'. Names can be in English or Chinese language, or in both English and Chinese but not a combination of both languages in the same name.

### Step 3

#### Decide on the Company Structure - Management and Governance

A private limited company requires

### Step 4

#### Decide on the Company Structure - Share Capital and Ownership

### Step 5

#### Decide on the Financial Year End

### Step 6

#### Deliver the Documents to Company registry

#### Time Required after Delivering the Documents:

**Application delivered in hard copy form**, the Certificate of Incorporation and Business Registration Certificate ("the certificates") of a company limited by shares will be issued **within 4 working days** after the date of delivery.

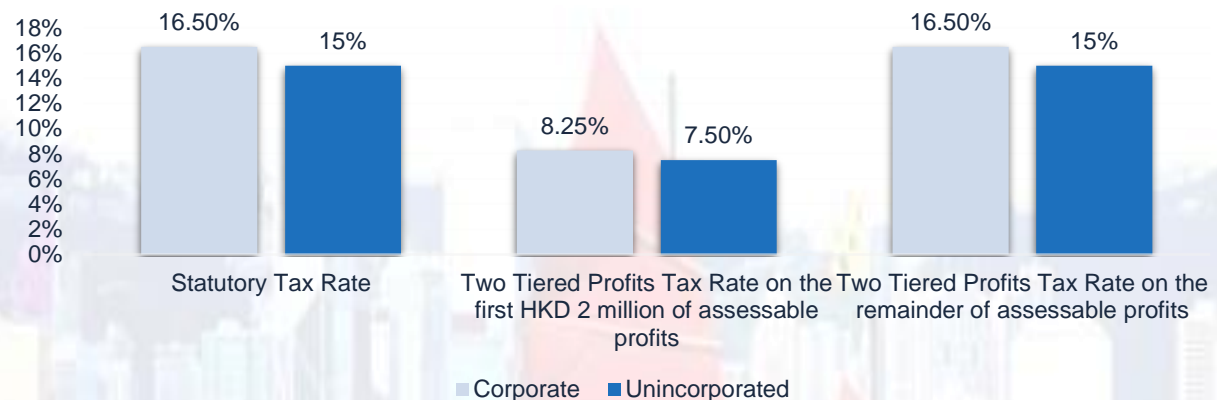
For **application delivered in electronic form**, the certificates will normally be issued **within 1 hour** after delivery of the documents at the e-Registry for a private company **limited by shares**. For a company **limited by guarantee**, the certificates will generally be issued **in about 3 weeks**.

## Company Taxes

To avoid abuse of the two-tiered tax regime, each group of connected entities can nominate only one entity to apply the two-tiered tax rates.

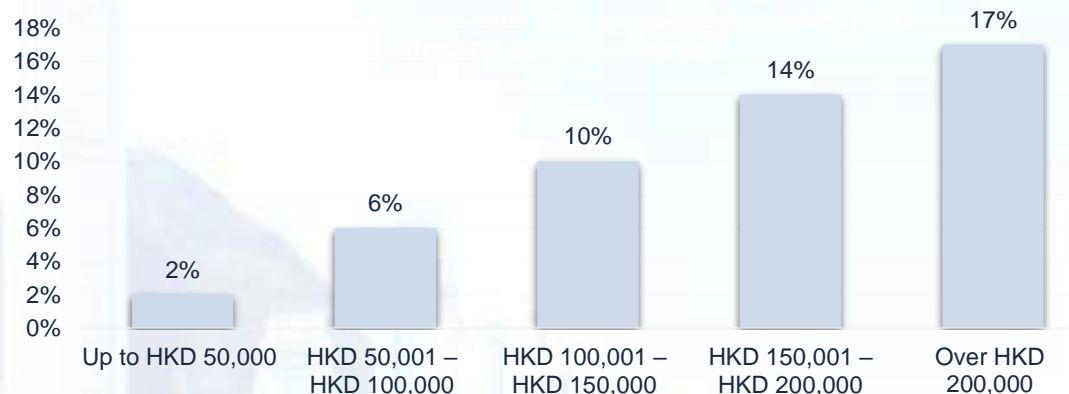
**No** Dividend tax, **No** Capital gains tax, **No** VAT, **No** estate duty.

Possibility of exemption of tax and acquiring the “offshore company” status and be tax exempt



## Individual Income Tax

Rates – Individuals are taxed at progressive rates on their net chargeable income (i.e. assessable income less deductions and allowances). The marginal tax rates range from 2% to 17% with a cap at the standard rate of 15% on assessable income (i.e. taxable income without the deduction of allowances).



### Property Tax

Stamp duty – 0.2% for transfer of shares. 0.5% and 1% of the annual or average annual rent for a lease with a term exceeding one year but not exceeding three years, and exceeding three years, respectively. Transfer of immovable property, 8.5% for nonresidential, 15% for residential and a special stamp duty (SSD) ranging from 5% to 20% if the property is sold within 36 months after the purchase.

### Betting Duty

Betting duty is charged on certain betting events

### Hotel Accommodation Tax

It is imposed on hotel and guesthouse accommodation. The proprietor of every hotel shall report and pay the amount of tax payable. With effect from 1 July 2008, the government has lowered the rate to 0%. In other words, no hotel accommodation tax is currently imposed.

### Customs and Excise Duty

### Social Security Contributions

Both the employer and the employee are required to make regular mandatory contributions of 5% of the employees' relevant income to the MPF scheme, subject to the relevant minimum and maximum income levels.

# Is it possible to establish a company in Hong Kong remotely?

Yes!

A potential investor can avail himself of a professional services firm, that can handle the whole process, which normally includes



Mandatory DD on the Client



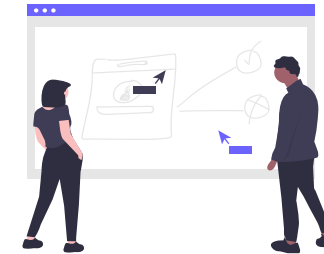
Receiving Official Documents From Client



Advising Client and Filing Documents With the Proper Authorities



Foreigners who wish to register an offshore limited liability company in Hong Kong, **must take into consideration the following points:**



- Foreigners are free to be the sole directors and shareholders of a Hong Kong company. There are **no local resident** requirements.
- There is no requirement to be physically present at the time of company registration, physical presence **may be required** for the purpose of opening a bank account, depending on the bank chosen.
- A minimum of one individual director and unlimited maximum number of directors allowed. The director must be a natural person who can be of any nationality and need **not be resident in Hong Kong**



5

## Establishing Your Business

Singapore





# Republic of Singapore

<b>Capital</b>	Singapore (City State)
<b>Population</b>	5.45 million (June 2021)
<b>GDP</b>	USD 340 billion (2020)
<b>Political structure</b>	Unitary dominant-party parliamentary republic
<b>Official Languages</b>	English, Malay, Mandarin, Tamil
<b>Major industries</b>	Manufacturing, Wholesale Trade, Financial Services
<b>Tax System</b>	Single-tier corporate tax system
<b>Currency</b>	Singapore Dollar
<b>GDP Growth</b>	3.4% (Q1 2022)
<b>Exports</b>	Integrated Circuits (USD 62.7bn), Refined Petroleum (USD 27bn), Gold (USD 11.4bn), Packaged Medicaments (USD 9.9bn), and Gas Turbines (USD 9.24bn)
<b>Imports</b>	Electrical machinery (USD 108.9bn), Machinery including computers (USD 52.9bn), Mineral fuels including oil (USD 49.2bn)
<b>Unemployment rate</b>	4.38% (2020)
<b>Labor force</b>	3.71 million (2020)
<b>Per Capita GDP</b>	USD 93,397 (2020)



# Main Types of Companies in Singapore

Most Popular:

## Private Company limited by shares (Pte Ltd)

The standard company type used by most foreign investors.

Other Forms of Entities:

- Representative Office
- Sole Proprietorship
- Public Company limited by shares
- Limited liability partnership (LLP)

### Step 1

#### Decide on the Company Type

Different company types are available for different business requirements. Private company limited by shares is the most common setup..

### Step 2

#### Decide on the Company Name

The proposed company name must be distinct from the registered company names in the ACRA database, and it should reflect the business nature of the company. All Singapore private limited company names must end with the suffix 'Pte Ltd'. Names have to be in the English language.

### Step 3

#### Decide on the Company Structure - Management and Governance

Singapore law requires the company to have:

- At least one Local Director
- A local Company Secretary
- A registered Office Address

### Step 4

#### Decide on the Company Structure - Share Capital and Ownership

### Step 5

#### Decide on the Financial Year End

### Step 6

#### Submitting the Documents to ACRA

#### Time Required after submitting the Documents:

**Application delivered in digital form**, the Certificate of Incorporation and Business Registration Certificate ("the certificates") of a private company limited by shares will be issued **within 5 working days** after the date of application.



# Singapore Corporate Income Tax

- Companies are taxed at a flat rate of 17% of chargeable income. This applies to both local and foreign companies.
- The tax exemption scheme for new start-up companies and partial tax exemption scheme for companies are tax reliefs available to reduce companies' tax bills.
- This exemption scheme applies to qualifying companies only for their first 3 consecutive YAs. From the fourth YA onwards, companies can enjoy the partial tax exemption.
- The tax exemption is allowed on a per YA basis. You cannot carry forward any 'unutilised' amount to any other subsequent YAs.

YA	Normal Chargeable Income	% Exempted From Tax	Amount Exempted From Tax	Maximum Exemption
2019	First \$100,000 Next \$200,000	@ 100% @ 50%	\$100,000 \$100,000	\$200,000
2020	First \$100,000 Next \$100,000	@ 75% @ 50%	\$75,000 \$50,000	\$125,000
2021	First \$100,000 Next \$100,000	@ 75% @ 50%	\$75,000 \$50,000	\$125,000

# Singapore Individual Income Tax

- Singapore utilizes a progressive income tax system
- Income tax rates depend on an individual's tax residency status.
- Gains and profits arising from Employee Share Options (ESOP) plans and other forms of Employee Share Ownership (ESOW) plans are subject to tax if the plans are granted to an employee when he/she is employed in Singapore.
- Employment income of non-residents is taxed at the flat rate of 15% or the progressive resident tax rates whichever is the higher tax amount.

Chargeable Income	Income Tax Rate (%)	Gross Tax Payable (\$)
First \$20,000	0	0
Next \$10,000	2	200
First \$30,000	-	200
Next \$10,000	3.50	350
First \$40,000	-	550
Next \$40,000	7	2,800
First \$80,000	-	3,350
Next \$40,000	11.5	4,600
First \$120,000	-	7,950
Next \$40,000	15	6,000
First \$160,000	-	13,950
Next \$40,000	18	7,200
First \$200,000	-	21,150
Next \$40,000	19	7,600
First \$240,000	-	28,750
Next \$40,000	19.5	7,800
First \$280,000	-	36,550
Next \$40,000	20	8,000
First \$320,000	-	44,550
In excess of \$320,000	22	

# Is it possible to establish a company in Singapore remotely?

**Yes!**

A potential investor can enlist the services of a registered filing agent like Dezan Shira & Associates which can handle the whole incorporation process, including:



**Mandatory Due Diligence on the Client**



**Receiving Official Documents From Client**



**Advising Client and Filing Documents With the Proper Authorities**



Foreigners who wish to register a private company limited by shares in Singapore, **must take into consideration the following points:**



- Foreigners are free to be the directors and shareholders of a Singapore company. There are **local resident** requirements, but these can be outsourced.
- There is no requirement to be physically present at the time of company registration, physical presence by a director **may be required** for the purpose of opening a bank account, depending on the bank chosen.
- A minimum of one individual director and up to 50 shareholders.



# Global Staffing Solutions



# Advantages of Global Staffing Solutions



## Get to Market Faster

Hire local employees and enter new markets within days.



## Lower Cost Expansion

Avoid the larger and premature costs associated with investing in the establishing and managing of an overseas corporation - until the timing makes sense to do so.



## Be in Compliance

Easily comply with country-specific labor laws and practices and minimize the compliance risks associated with an overseas employment relationship.



## Lower Risk Entry

Test one or many markets and then scale as required - hedge against fast growing but challenging business environments.



## Expand to More Countries

Onboard staff across one or more Asian countries, to grow your global presence sustainably and in compliance, without the operations and HR admin hassles.



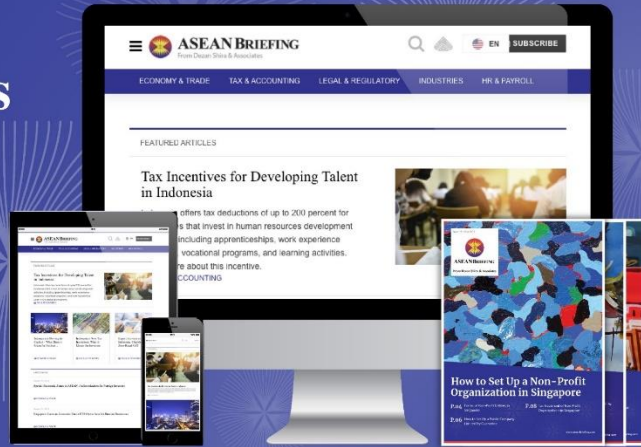
## Single Point of Contact

We expertly handle the time-consuming and complex requirements of employment administration and provide you with a transparent view of the employee arrangement, supported by expertise and a single point of contact.



Prestigious source of business insights for foreign investors

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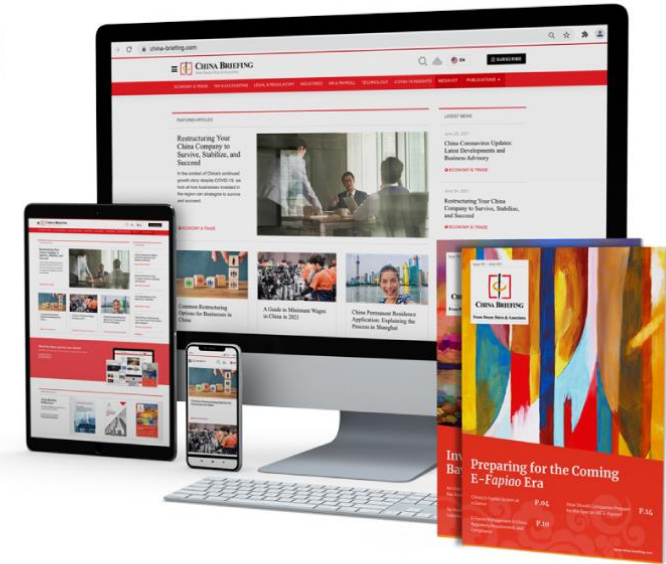


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# Q & A



Newsletter



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