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A tax paradise for the world to share



Elizabeth Thomson, president of ICS Trust, says overseas firms don't need a presence in Hong Kong in order to benefit from its tax advantages

Businesses from around the world can reap Hong Kong's advantages as a tax paradise, according to Elizabeth Thomson, president of financial and taxation services firm ICS Trust.

Ms Thomson, a Canadian tax lawyer who founded the firm in 1980 to help international companies wanting to do business in Asia, said Hong Kong's low taxes continue to be a draw card especially for overseas SMEs that don't have the budgets of the large multinationals.

"Hong Kong tax rates are among the lowest in the world," said Ms Thomson. "Profits tax payable by both local and foreign companies is only 16 per cent, minus generous business deductions, and in many cases transactions can be structured to be totally tax-free."

"Since Hong Kong's tax system is based on source, not on residency, companies are taxed only on income that originates inside Hong Kong."

Ms Thomson added that companies incorporated in Hong Kong are well regarded by international tax regulators and counterparties. "It is very easy to repatriate profits, as there is no withholding tax, VAT or sales tax. Hong Kong also has no capital gains tax."

ICS Trust advises overseas clients on how to optimise their business activities to benefit from Hong Kong's highly competitive taxation system. Its clients - mostly North American and European SMEs with an annual turnover of HK\$15million to HK\$156 million (US\$2 million to US\$20 million) achieve this by setting up a "virtual office", without the expense of having a presence on the ground.

Foothold to China

"Most of these companies know that opportunities are abundant in China, but they have no idea how to enter the market - nor do they have the big budgets of the multinational companies," Ms Thomson said. "We do everything - from their banking and dealing with letters of credit, to their accounting, tax, all their money transfers and sometimes even their payroll. A company representative comes here maybe four times a year."

These services are offered under the ICS Direct Import Programme - a product Ms Thomson said is designed "to utilise Hong Kong's main strength, which has always been its phenomenal tax system".

Hong Kong's strong financial sector, its well-developed legal system and its encouragement of entrepreneurial spirit were further attractions for overseas business, she said.

"In other parts of the world, banks are squeezing companies of every size and SMEs are particularly affected. But in Hong Kong, after two or three years of operation, banks will actually look at applications whereas in other countries, such relatively new companies wouldn't even get a foot in the door."

"Hong Kong has a large number of banks, so the financial sector is more competitive, and has a healthy attitude towards trade."

Ms Thomson added that the Hong Kong government continues to place the highest priority on maintaining a secure and predictable investment climate - a commitment that would secure its long-term future.

"The world needs Hong Kong, because Hong Kong is a tax paradise."