

Regulatory Framework for Opening, Operating and Closing a Business

Disclaimer: Any information rendered in this document is for general references only and should not be considered as legal advice. Users are strongly advised to seek independent legal advice if they are in doubt of their legal position.

Taxation

No.	Regulatory Framework	Link
Clarity and Transparency of Tax Regulations		
<i>Clarity of Tax Regulations</i>		
1.	<p>The following up-to-date general tax guidance is published to the taxpayer through website, telephone, email, mobile communications, in-person requests, public education seminars and Fax-A-Form:</p> <ul style="list-style-type: none"> • Announcements/newsletters • Briefs/brochures/bulletins • Tax guides • Practice notes • Tax notice • Factsheets • Other general tax guidance: sample tax forms and online demo 	<ul style="list-style-type: none"> ➤ Cap. 112 Inland Revenue Ordinance ➤ Press Release ➤ Departmental Interpretation and Practice Notes ➤ Public Forms and Pamphlets

No.	Regulatory Framework	Link
2.	<p>The following internal tax guidance is published to the taxpayer through website, telephone, email and face-to-face requests:</p> <ul style="list-style-type: none"> • Revenue Procedure • Internal Revenue Manuals • Technical Advice memorandums • Minutes for meeting between Inland Revenue Department and the Hong Kong Institute of Certified Public Accountants 	<ul style="list-style-type: none"> ➤ Departmental Interpretation and Practice Notes ➤ Policies ➤ Tax Information - Individuals/Businesses ➤ Tax Information - Others ➤ Annual meetings between the Inland Revenue Department and the Hong Kong Institute of Certified Public Accountants
3.	<p>Tax administration in Hong Kong SAR, China issues private binding rulings and publishes them online. This includes publication of the edited version of the rulings, without any personal or identifying private information to protect the privacy of the applicant</p>	<ul style="list-style-type: none"> ➤ Section 88A Advance Rulings, Cap. 112 Inland Revenue Ordinance ➤ Advance Ruling Cases
4.	<p>The tax administration in Hong Kong SAR, China issues public binding rulings</p>	<ul style="list-style-type: none"> ➤ Profits Tax Return - Fair Value Accounting
5.	<p>The tax dispute resolution process codified in the single legislative act that has uniform application across all core taxes</p>	<ul style="list-style-type: none"> ➤ Part 11 Objections and Appeals, Cap. 112 Inland Revenue Ordinance
6.	<p>The tax audit procedure codified in the single legislative act that has uniform application across all core taxes</p>	<ul style="list-style-type: none"> ➤ Sections 51, 51A and 51B, Cap. 112 Inland Revenue Ordinance
7.	<p>According to the legal framework, women have the same rights as men in tax-related disputes</p>	<ul style="list-style-type: none"> ➤ Sections 64 and 70B, Cap. 112 Inland Revenue Ordinance

No.	Regulatory Framework	Link
<i>Transparency of Changes in Tax Regulations</i>		
8.	The tax administration in Hong Kong SAR, China obtains feedback from taxpayers in order to design new administrative procedures for the preparation, filing, and payment of taxes and publishes the feedback results online and in hard copies	➤ Consultation Report on Measures to Counter Base Erosion and Profit Shifting
9.	The tax administration in Hong Kong SAR, China always undertakes broad public consultations with external stakeholders prior to the introduction of the new tax reforms	➤ When new tax reforms are proposed, they are presented to the Legislative Council for scrutiny and approval. Legislative Council reports and publications contain reference to public consultations conducted
10.	The tax administration in Hong Kong SAR, China prepares and publishes fully future plans including, for example, a multi-year strategic (or reform) plan and annual operational plans online and in hard copies in advance of the period covered by the plans	➤ Enhancement and Relocation of Information Technology Systems and Facilities of the Inland Revenue Department
11.	All types of taxpayers (large companies, medium companies and small companies) are allowed to keep tax records online	➤ Section 8, Cap. 553 Electronic Transactions Ordinance
<i>Simplified Record Keeping and Temporary Provisions</i>		
12.	Small companies can make use of simplified record keeping methods, such as single-entry bookkeeping	➤ Section 51C, Cap. 112 Inland Revenue Ordinance
13.	Small companies can make use of simplified reporting methods	➤ Section 51, Cap. 112 Inland Revenue Ordinance

No.	Regulatory Framework	Link
<i>Tax Registration and VAT Refund</i>		
14.	<p>The information on general tax registration is accessible through the below-listed means of communication:</p> <ul style="list-style-type: none"> • Website • Telephone • At the information board in the tax authority • Email • Mobile communication • In-person requests 	<p>➤ Cap. 310 Business Registration Ordinance is the law relating to the registration of businesses in Hong Kong. One of the main objectives of business registration is for the opening of tax files. The amount of business registration fees have been set out in the Ordinance</p>
15.	<p>The legislation defines all registration fees for all types of taxes that exist in Hong Kong SAR, China. Business Registration Ordinance is the law relating to the registration of businesses in Hong Kong. One of the main objectives of business registration is for the opening of tax files. The amount of business registration fees have been set out in the Ordinance</p>	<p>➤ Cap. 310 Business Registration Ordinance</p>
16.	<p>The legislation defines the timeline for all types of tax registration. These provisions provide for the manner and time for which a business registration is made</p>	<p>➤ Sections 5, 5A and 5B, Cap. 310 Business Registration Ordinance</p>

No.	Regulatory Framework	Link
17.	<p data-bbox="264 292 1205 368">It is mandatory by law for taxpayers to notify the tax administration of changes to registration details</p> <p data-bbox="264 400 1205 531">There is a fixed penalty regime for failure to comply with the requirements to notify the tax administration of changes to registration details</p>	<p data-bbox="1205 292 2132 336">➤ Section 8, Cap. 310 Business Registration Ordinance</p> <p data-bbox="1205 400 2132 445">➤ Section 15, Cap. 310 Business Registration Ordinance</p>

Public Services that Facilitate Trade

[Including services provided by government bureaux and departments, and other public organisations]

Disclaimer: There are other digital public services that aim to facilitate business and compliance in Hong Kong. Please refer to the webpages of individual bureaux / departments / public organisations for details.

Taxation

No.	Public Services	Link
Digitization in Tax Administration		
<i>Storage of Company Information</i>		
1.	The taxpayer online service portal is used by taxpayers in practice and has the following features <ul style="list-style-type: none"> • Chatbot • E-learning • Electronic filing and electronic payment arrangement for corporate income-based taxes of large, medium and small companies 	<ul style="list-style-type: none"> ➤ Inland Revenue Department (ird.gov.hk) ➤ e-Seminars ➤ Electronic Services ➤ GovHK: eTAX (www.gov.hk)
<i>Taxpayer Database</i>		
2.	In practice, newly incorporated companies are registered for tax purposes automatically/without additional interaction of the company	<ul style="list-style-type: none"> ➤ GovHK: Business & Company Registration

No.	Public Services	Link
3.	There is a unified and computerized taxpayer database with full coverage in Hong Kong	<ul style="list-style-type: none"> ➤ The taxpayer database is for Inland Revenue Department's internal use. No appropriate link can be provided. Nevertheless, members of the public can apply for certified extracts of information of a business or any one of its branches on the Business Register through GovHK (www.gov.hk/br) and pay the prescribed fee
4.	The tax authority uses Business Registration Number as the unified identification number for all of a company's taxes	<ul style="list-style-type: none"> ➤ Information on Tax Identification Numbers
5.	In practice, tax deregistration is performed automatically/without additional interaction of the company when the company is removed from the business registry	<p>Notification from Companies Registry</p> <ul style="list-style-type: none"> ➤ GovHK: Cancellation of Business Registration & Deregistration

No.	Public Services	Link
Digitization in Tax Administration		
<i>Interoperability</i>		
6.	<p>In practice, information reported by taxpayers is crosschecked against third-party information sources (for example, databases of other agencies, publicly available information, etc.) from each of the following sources:</p> <ul style="list-style-type: none"> • Tax declarations • Banks/financial institutions • Employers (for purposes of crosschecking reported employment income) • Government agencies (e.g., the national tax administration; customs; public procurement agencies; registrar of companies; anti-money laundering regulator; immovable property registrars) 	<ul style="list-style-type: none"> ➤ Sections 51, 51A and 51B Cap. 112 Inland Revenue Ordinance ➤ Departmental Interpretation and Practice Notes No. 11 (Revised) Field Audit and Investigation
Tax Audits		
<i>Risk-Based System</i>		
7.	<p>In practice, the risk-based system that orients audit coverage towards areas of the highest risk segments (e.g., large taxpayers and high-wealth individuals and economic sectors) uses the following features to identify high-risk businesses</p> <ul style="list-style-type: none"> • Large taxpayers • Economic sectors 	<ul style="list-style-type: none"> ➤ Departmental Interpretation and Practice Notes No. 11 (Revised) Field Audit and Investigation provides general guidance for taxpayers and their representatives who are involved in field audit and investigation

No.	Public Services	Link
8.	In practice, the risk-based system selects audit cases centrally and on the basis of assessed risks	➤ Departmental Interpretation and Practice Notes No. 11 (Revised) Field Audit and Investigation provides general guidance for taxpayers and their representatives who are involved in field audit and investigation
<i>Types of Audits and Uniform Practices</i>		
9.	<p>The following types of audits exist in Hong Kong SAR, China:</p> <ul style="list-style-type: none"> • Comprehensive (multiple tax and multiple years) audits • Single-issue audits • Inspections of books and records • In-depth investigations of suspected tax fraud 	<p>➤ Sections 51, 51A and 51B, Cap. 112 Inland Revenue Ordinance</p> <p>➤ Departmental Interpretation and Practice Notes No. 11 (Revised) Field Audit and Investigation</p>
10.	Tax audit manuals and guidelines are published online	➤ Departmental Interpretation and Practice Notes No. 11 (Revised) Field Audit and Investigation
11.	Reports presenting information on the quality of tax audits are published online	<p>➤ Annual meetings between the Inland Revenue Department and the Hong Kong Institute of Certified Public Accountants</p> <p>(B1. Investigation and Field Audit: Discrepancies Detected by Field Audit - Analysis of Completed Field Audit Corporation Cases)</p> <p>➤ Inland Revenue Department Annual report</p> <p>(A chapter on Field Audit and Investigation)</p>

No.	Public Services	Link
Dispute Resolution Mechanism		
<i>First-Level Review Mechanism</i>		
12.	<p>In practice, all types of taxpayer can appeal a tax audit assessment to an independent complaint review mechanism. Examples of disputes applicable to the independent complaint review mechanism within a tax administration review:</p> <ul style="list-style-type: none"> • The accuracy of the facts relied upon by the auditor • The correctness of the interpretation of the tax law • The value of penalties imposed by the tax administration 	<ul style="list-style-type: none"> ➤ Sections 66 and 82B, Cap. 112 Inland Revenue Ordinance ➤ Departmental Interpretation and Practice Notes No. 6 (Revised) on Objections and Appeals

No.	Public Services	Link
<i>Second-Level Review Mechanism</i>		
13.	In practice, if the body that would conduct a review of complaints on a tax audit assessment (as answered above) does not review a complaint on a tax audit assessment within a reasonable period of time or by the legal deadline, a taxpayer can escalate a dispute directly to the next stage (appeal level) within a reasonable time	<ul style="list-style-type: none"> <li data-bbox="1218 328 2130 600">➤ Section 64(2), Cap. 112 Inland Revenue Ordinance stipulates that on receipt of a valid notice of objection, the Commissioner of Inland Revenue shall consider the same and within a reasonable time may confirm, reduce, increase or annul the assessment objected to, and may, by notice in writing, require the person giving the notice of objection to furnish such particulars as the Commissioner may deem necessary <li data-bbox="1218 632 2130 983">➤ Section 64(4), Cap. 112 Inland Revenue Ordinance stipulates that the Commissioner shall, within 1 month after his determination of the objection, transmit in writing to the person objecting to the assessment his determination together with the reasons therefor and a statement of the facts upon which the determination was arrived at, and such person may appeal therefrom to the Board of Review. Right of appeal to Board of Review is provided under Section 66, Cap. 112 Inland Revenue Ordinance <li data-bbox="1218 1015 2130 1110">➤ Departmental Interpretation and Practice Notes No. 6 (Revised) on Objections and Appeals
14.	In practice, an independent external specialist, review board or committee provides the first avenue of appeal for a taxpayer dissatisfied with the decision of the body that would conduct a review of complaints on a tax audit assessment	<ul style="list-style-type: none"> <li data-bbox="1218 1110 2130 1158">➤ Sections 66 and 67, Cap. 112 Inland Revenue Ordinance <li data-bbox="1218 1190 2130 1331">➤ Departmental Interpretation and Practice Notes No. 6 (Revised) on Objections and Appeals

No.	Public Services	Link
<i>Gender Equality during Tax Disputes</i>		
15.	In practice, women have the same rights as men in tax-related disputes	➤ Sections 64 and 70B, Cap. 112 Inland Revenue Ordinance
Governance of Tax Authority		
<i>Transparency</i>		
16.	<p>Annual performance reports outlining the financial and operational performance of the tax administration for the last fiscal year are published online and in hard copies. The following information is included in the annual report(s):</p> <ul style="list-style-type: none"> • Annual performance statement • Revenue performance • Management and accountability • Financial statements 	➤ Inland Revenue Department Annual report ➤ Inland Revenue Department Performance Pledge
17.	An independent external review body (e.g., a government auditor or independent entity appointed in line with the economy’s laws and regulations) perform periodical audits of the tax administration’s financial statements and operational performance. The findings and recommendations of the external review body are published online and in hard copies	➤ Director of Audit's reports

No.	Public Services	Link
Public Accountability		
18.	The tax administration in Hong Kong SAR, China obtains feedback from taxpayers to monitor trends in taxpayers' perceptions of tax administration services and products at least once every 3 years (routine and systematic request of feedback). The results of the feedback on the taxpayers' perceptions of tax administration services and products are published online and in hard copies	➤ Opinion Survey on the use of eTAX services is to obtain feedback from eTAX users. The results are not published and only for internal reference with a view to improving efficiency of IRD's e-services
19.	The tax administration has a code of ethics and professional conduct, where its values, principles, and requirements are guided by or closely aligned to national or international ethics and integrity legislation/regulations of equivalent	➤ Taxpayer's Charter
20.	The independent and impartial investigative bodies to safeguard the community in their dealings with the tax administration: <ul style="list-style-type: none"> • The Ombudsman • Independent Commission Against Corruption 	➤ Independent Commission Against Corruption / Office of the Ombudsman