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Business Opportunities in Asia

# SME Guide to Hong Kong & Singapore

## Overview

Hong Kong and Singapore have increasingly become focal points for international businesses aiming to establish a foothold in Asia. These cities not only serve as strategic gateways to the region's vast markets but also as hubs of innovation and entrepreneurship. The trend of setting up offices in Hong Kong and Singapore is driven by their well-established legal frameworks, efficient business services, and competitive financial sectors. Both locations offer robust support for foreign investments, including favourable immigration policies for business owners and skilled professionals. Their reputations as global financial centres, coupled with their strategic geographical positions, make them attractive destinations for German SMEs looking to tap into the Asian market's potential. This surge in interest underscores the importance of understanding the nuances of doing business in both cities to leverage their strengths effectively.

As German SMEs look towards Asia for expansion, the choice on where to set up office as a business location is pivotal. Both cities offer unique advantages and challenges in terms of setup and maintenance, tax regimes, and compliance requirements. This overview aims to provide German SMEs with a concise comparison of these two dynamic economies, focusing on critical aspects such as minimum capital requirements, the process of opening a bank account, director and shareholder requirements, tax rates including corporate tax, VAT/GST, and withholding tax, as well as compliance obligations like annual renewals and audit requirements. This comparison is designed to aid in making an informed decision, considering both the operational flexibility and regulatory environment of Hong Kong and Singapore.



# Hong Kong vs. Singapore: A Side-by-Side Comparison

	Hong Kong	Singapore
<b>SET-UP AND MAINTENANCE</b>		
<b>Minimum Capital</b>	HKD 1 / SGD 1	
<b>Bank Account Opening</b>	Corporate bank account opening for wholly foreign held companies possible.  Physical appointment may be required for local bank.  Online bank account possible.  All approvals are at the bank's discretion.	
<b>Director(s)</b>	No local residency required.	1 local resident director required (either a SG citizen, PR or EP holder) Otherwise, licensed service providers offer the Nominee Resident Director service.
<b>Shareholder(s)</b>	100 % foreign shareholding allowed (corporate and/or individuals)	
<b>Company Secretary</b>	Company secretary must be local resident or a licensed local company. The sole director and/or sole shareholder cannot act as company secretary.	
<b>Registered Address</b>	Local address required (cannot be post office).	

<b>TAX</b>		
<b>Corporate Tax</b>	8.25 % on the first HKD 2,000,000 profits for each Year of Assessment, and 16.5 % on all profits above.	For first 3 years, up to SGD 125,000 tax-exempt from first SGD 200,000 of chargeable income (or SGD 200,000 from first SGD 300,000) through <a href="#">Tax Exemption Scheme for New Start-Up Companies</a> .  Thereafter, up to SGD 102,500 tax-exempt from first SGD 200,000 of chargeable income (or SGD 152,500 from first SGD 300,000) through Partial Tax Exemption Scheme.  Chargeable income is taxed at 17%.
<b>Value-Added Tax (VAT) / Goods and Services Tax (GST)</b>	Not applicable.	9 % on goods and services if the taxable turnover exceeds more than SGD 1M at the end of the calendar year.
<b>Withholding Tax</b>	Royalty tax: 2.475% to 4.95%  Interest tax: 0 %  Dividend tax: 0 %	Royalty tax: 10 %  Interest tax: 15 % on taxable interest (see exemptions <a href="#">here</a> )  Dividend tax: 0 %

<b>COMPLIANCE</b>		
<b>Annual Renewals</b>	Business Filings (such as Annual Return, Business Registration Certificate)	
<b>Accounting / Audit</b>	All companies need to file the audited accounts with the Inland Revenue Department (IRD) on an annual basis.	The company law requires that each company formed in Singapore must file its accounts (audited or unaudited) with the Accounting and Corporate Regulatory Authority (ACRA) of Singapore on an annual basis.  A private limited company that meets 2 out of the 3 criteria will be considered as a 'small company' and will be exempted from audit.*  The 3 criteria are:  (i) total annual revenue ≤ SGD 10M;  (ii) total assets ≤ SGD 10M;  (iii) employees ≤ 50.

\*The assessment is based on the entire company group.

## Outro

In conclusion, both Hong Kong and Singapore present compelling opportunities for German SMEs considering expansion into the Asian market. The choice between the two will depend on the specific needs and strategies of your business, including financial considerations, the importance of a strategic location in Asia, and the regulatory environment you prefer to operate within. It is crucial to weigh the benefits of Hong Kong's closer proximity to the Chinese market against Singapore's robust legal framework and ease of doing business. Ultimately, this guide should serve as a starting point for further investigation and consultation, ensuring your business makes the best possible decision based on current and future needs.



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