



Lee & Yu Certified Public Accountants

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客戶通訊 Newsletter

APR 2023

Re-domiciliation proposal



Quoted as saying in the blog of Secretary for Financial Services and the Treasury on March 31, 2023 The Financial Secretary announced in the Budget the introduction of a company re-domiciliation regime to facilitate non-Hong Kong enterprises to re-domicile to Hong Kong, so that they may utilise our favourable business environment and professional services. Since this month, we have been reaching out to key stakeholders including business chambers, professional bodies and relevant statutory advisory bodies to explain our thoughts and hear their professional views. Today, we will publish the relevant document for public consumption. If you have any views or suggestions on the introduction of a company re-domiciliation regime, you are welcomed to let us know in the coming two months. I also wish to introduce through this blog post our ideas on the proposed regime.

Building on experience

Re-domiciliation regime is not wholly new in Hong Kong. Back in 2021, we took the first step to put in place a user-friendly fund re-domiciliation mechanism for Open-Ended Fund Companies & Limited Partnership Funds to facilitate foreign funds to operate in Hong Kong. Building on the positive experience of the fund re-domiciliation mechanism, we think now is the right moment for us to go for a company re-domiciliation regime which has wide applicability. The company re-domiciliation regime, when in place, will allow companies to change their place of incorporation to Hong Kong seamlessly without having to undergo the complicated and often expensive winding-up procedures or court-sanctioned schemes of arrangement.



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Response to market needs

Hong Kong has an open and efficient company governance regime, reliable rule of law tradition, simple taxation system, and world class professional services. Hong Kong's strategic location as well as commercial and trading networks with the Mainland and worldwide are also favourable to corporations' management of their operations in the Mainland and in the Asian region. Industries have previously reflected to us that some non-Hong Kong incorporated companies, especially enterprises with certain business operations in Hong Kong and those hoping to ride on Hong Kong's advantages to expand their business, are interested in re-domiciling to Hong Kong. Our current proposal to introduce a company re-domiciliation regime can meet the market needs by providing a highspeed motorway to facilitate companies making up their minds to move to Hong Kong.

Wide application, simple procedures

In order to allow more companies to benefit from the proposed re-domiciliation regime, we in principle would widen the application of the mechanism as far as practicable, making it to be generally applicable to companies coming from different places and of different types and scale. The Registrar of Companies will be responsible for approving applications for re-domiciliation to consider whether the companies have fulfilled specified requirements in relation to integrity, member and creditor protection and solvency, etc., so as to ensure that companies re-domiciling to Hong Kong are of good standing. The spirit of a re-domiciliation regime is to ensure that the process would not affect the property, rights, obligations and liabilities, as well as the relevant contractual and legal processes of the companies. The continuity of the business operation of the re-domiciling companies will therefore be guaranteed, and the rights and responsibilities of the transaction partners of the company will not be affected either. While ensuring that the legal identity of the company will be smoothly re-domiciled in Hong Kong, we will also clearly stipulate the transition of the tax obligations of the incoming companies in the original place of incorporation and in Hong Kong, so as to provide certainty to the companies on the prospective tax-related changes.

Attracting outside enterprises, investment and talents to come to Hong Kong is a key policy objective of the current term of Government. The Policy Address and the Budget have already launched many targeted measures. Introducing a company re-domiciliation regime will add to our policy toolbox another useful instrument.