

## **“Hong Kong Company” under CEPA**

To qualify for the benefits of CEPA, the “**Hong Kong company**” must be incorporated in Hong Kong and be engaged in “**substantive business operation**” in Hong Kong for three or more years.

**"Substantive business operations"** in the HKSAR are assessed on the basis of the following criteria:

- The company must be incorporated under the laws of the HKSAR;
- The company must be liable to pay profits tax in the HKSAR (or be exempted by law from paying such tax);
- The minimum period of the company's substantive business operations in Hong Kong is 3 years, but for construction and real estate, banking and insurance industries, the requirement is 5 years;
- The company should own or rent premises in Hong Kong to engage in substantive business operations. The scale of its business premises should commensurate with the scope and the scale of its business; and
- The company must employ in Hong Kong 50% or more of its total staff.

For overseas companies, since the ownership, shareholding structure, ethnicity or nationality considerations do not affect the “Hong Kong Company” definition, a foreign-owned company which is incorporated in Hong Kong would be deemed a Hong Kong Company as well subject to the fulfillment of the above-mentioned criteria.

An overseas company can also be regarded as a Hong Kong company one year after acquiring majority shares in a Hong Kong company through merger or acquisition.