



Business Climate and Investment Regulations in Hong Kong

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Hong Kong's Trade Policy



Basic Law: Chapter VII “External Affairs”

■ *Article 13*

- stipulates that the Central People's Government is responsible for foreign affairs relating to Hong Kong SAR but it authorises the Hong Kong SAR to conduct the relevant external affairs in accordance with the Basic Law. The handling of external affairs of the Hong Kong SAR is elaborated upon in other Basic Law provisions in various chapters, in particular, Chapter VII "External Affairs"

■ *Chapter VII, Article 151*

- provides that the Hong Kong SAR, using the name "Hong Kong, China" may maintain and develop relations and conclude and implement agreements on its own, with foreign states and regions and international organisations, in such matters as economic affairs, trade, finance and monetary affairs, shipping, communications, tourism, culture and sports. Under Article 152(2), the Hong Kong SAR may, using the name "Hong Kong, China", participate in international organisations and conferences not limited to states



Basic Law: Chapter VII “External Affairs” (cont’d)

■ **Article 152**

- provides for representatives of the Government of the Hong Kong SAR to participate in international organisations or conferences in appropriate fields limited to states and affecting the Region as members of delegations of the People's Republic of China, or in other appropriate capacity. The Central People's Government shall take the necessary steps to ensure that the Hong Kong SAR shall continue to retain its status in appropriate capacity in those international organisations of which China is a member and in which the Hong Kong SAR participates in one capacity or another

■ **Article 116** confirms the HKSAR's status as a separate customs territory, and provides for its participation in the General Agreement on Tariffs and Trade (now the World Trade Organisation) and other international trade agreements

■ **Article 96** provides for the HKSAR to make arrangements with foreign states for cooperation in legal and judicial matters

■ **Article 133** deals with the negotiation and conclusion of air services agreements



Hong Kong's Trade Policy

■ Low, simple and competitive tax system

- One of the most tax-friendly systems in the world
- Only three direct taxes are imposed and there are generous allowances and deductions which can reduce one's taxable amount
 - 1) Profits tax for the first HK\$2 million of profits of corporations is 8.25 percent. Profits above that amount will be subject to the tax rate of 16.5 percent. For unincorporated business (i.e. partnerships and sole proprietorships), the two-tiered tax rates will correspondingly be set at 7.5 percent and 15 percent
 - 2) Salaries tax with standard rate of 15 percent
 - 3) Property tax of 15 percent



Hong Kong's Trade Policy (cont'd)

■ Taxes which Hong Kong does not impose:

- sales tax or VAT
- withholding tax
- capital gains tax
- tax on dividends
- estate tax



■ Free trade port

- Free port status and easy customs procedures make it easier for businesses and companies to operate

■ Zero tariff

- No tariff is charged on import or export of goods



Hong Kong's Trade Policy (cont'd)

■ Founding Member of World Trade Organisation (WTO)

- Secures, maintains and improves access to foreign markets for goods and services through participating in multilateral, regional, plurilateral, and bilateral trade agreements
- Continued its separate membership at WTO after return to China in 1997 using the name “Hong Kong, China”

■ Multilateral Agreement

- Signed 8 Free Trade Agreements (FTAs)
 - Mainland China, New Zealand, the Member States of the European Free Trade Association (EFTA), Chile, Macao, the Association of Southeast Asia Nations (ASEAN), Georgia and Australia
- Concluded FTA negotiation with Maldives



FTA between Hong Kong and Georgia

- Signed on 28 June 2018, entered into force on 13 February 2019
- The FTA is comprehensive in scope, encompassing:
 - Trade in goods
 - Trade in services
 - Investment
 - Dispute settlement mechanism



FTA between Hong Kong and Georgia (cont'd)

■ Key features of the FTA:

- **Trade in goods:** Georgia will eliminate import tariffs on 96.6 per cent of its tariff lines for Hong Kong's originating products upon the entry into force of the FTA
- **Trade in services:** the FTA opens the doors of markets for sectors where Hong Kong has traditional strengths or has potential for further development. Sectors standing to benefit include financial services, telecommunications services, various business services, wholesale and retailing services, arbitration services, audiovisual services, construction and related engineering services, environmental services, various transport services and printing and publishing services
- **Investment in non-services sectors:** Georgia will accord Hong Kong investors with treatment and other safeguards that are no less favourable than those enjoyed by its local investors. This will enhance investors' confidence and facilitate two-way investment flows between Hong Kong and Georgia



Hong Kong's Legal Profession



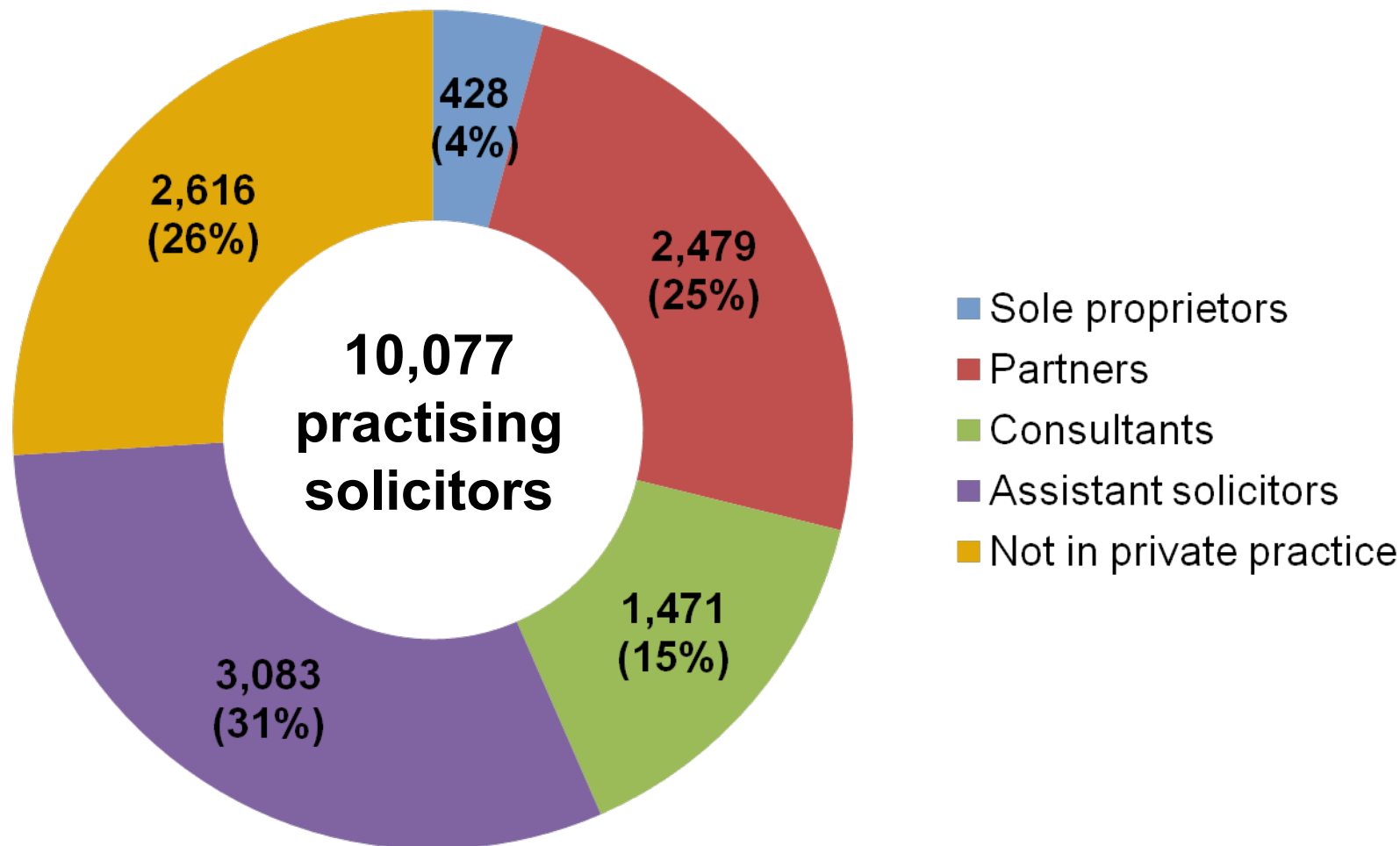
Hong Kong's Legal Profession

- Legal system, judicial independence, legal profession and openness of the legal market are recognised by the world
- A platform for foreign investments to China and a platform for outbound investments of Chinese enterprises
- A split profession with two branches, solicitors and barristers.

Solicitor	Barrister
<ul style="list-style-type: none">• All types of legal work, properties, commercial, litigation, arbitration etc• Since 2013, accredited solicitor advocates also act as advocates in High Court and above• More interaction with clients	<ul style="list-style-type: none">• Engaged by solicitors to advise on specific points of law• Act as advocates in High Court and above



Hong Kong Solicitors



Openness of the Hong Kong's Legal Market

- Since 1971, many foreign law firms have been setting up offices in Hong Kong.
- Foreign lawyers were permitted to operate in territory since 1995. Registered Foreign Lawyers can practise the law of the jurisdiction in which he or she is qualified by receiving employment and setting up a foreign law firm in Hong Kong.
- As of 31 July 2019:
 - 88 foreign firms
 - 1,632 foreign lawyers from 32 jurisdictions



Becoming a Foreign Lawyer in Hong Kong

- Foreign lawyers can also become a solicitor in Hong Kong by taking the Overseas Lawyers Qualification Examination (OLQE) which is held normally October/ November each year
- ***Common law jurisdiction***
 - must satisfy the Law Society that you have at least two years of post-admission experience in the practice of the law of your jurisdiction of admission (including any period credited in respect of articles or equivalent)
- ***Non-common law jurisdiction***
 - must satisfy the Law Society that you have had not less than 5 years of experience in the practice of the law of the jurisdiction of your admission



About The Law Society of Hong Kong



Background

- A professional association for solicitors in Hong Kong
- Incorporated in 1907 as a company limited by guarantee
- A self-regulatory and representative body to ensure compliance by solicitors with relevant laws and regulations, promotes good standards of practice and provides services to its members

Aims

- To support and protect the character, status and interests of solicitors in Hong Kong
- To promote good standards of practice and maintain ethical practice
- To ensure compliance by solicitors with relevant laws, codes, regulations and practice directions
- To develop and maintain the work of solicitors in all areas of the law, legal practice and procedures
- To ensure the view of solicitors is accurately and purposefully communicated
- To provide services to its members
- To consider all questions affecting the interests of the profession, and to represent the profession to procure changes of law or practice



Functions

- Issue annual practising certificates and certificates of registration to Hong Kong solicitors, foreign lawyers and foreign law firms
- Investigate and refer allegations of professional misconduct to the Solicitors Disciplinary Tribunal
- Arrange and maintain a compulsory Professional Indemnity Scheme
- Intervene in a solicitor's practice in cases of dishonesty, undue delay, bankruptcy or other causes
- Establish rules for the conduct and education of solicitors and trainee solicitors



Councils

- The governing body of the Law Society
- 20 members in the Council, including 1 President and 3 Vice-Presidents
- All members of the Council are elected by the general membership
- Receives and considers reports from 6 Standing Committees



Standing Committees

Compliance

- deals with the regulatory and administrative aspects of the profession

External Affairs

- deals with public policy issues and manages the Society's professional (local and international), media and community relations

Member Services

- formulates strategies that enhance members' benefits and interests.

Policy & Resources

- responsible for policy co-ordination, the management of the Society's resources and budget

Practitioners Affairs

- deals with legal policy affecting the profession, good practice, and law reform

Standards & Development

- sets and maintains standards of work and ethical practice through practice rules and guidelines, and oversees the CPD and Risk Management Education programmes



Professional Development and Training

■ Continuing Professional Development (CPD)

- Mandatory scheme introduced for all practitioners in 1998

■ Risk Management Education (RME)

- Introduced in 2014 with the aims to equip participants with the tools and techniques to implement effective processes and systems to manage key operational risks facing them on a daily basis
- Has been promoting the RME courses to overseas jurisdictions since 2016 (e.g. Chengdu, Shanghai, Dongguan, Chongqing, Guangzhou, Kaohsiung, Indonesia and Mongolia)

■ Organised 361 training courses for 18,226 legal practitioners in 2018



Professional Indemnity Scheme (PIS)

- Compulsory scheme operated since 1986
- To indemnify solicitors against claims arising from allegations of negligence. It does not, however, indemnify partners in respect of losses arising from their dishonesty
- No consistent pattern of claims
- Members' contributions to the Scheme are assessed on the basis of the number of solicitors employed by a law firm, the firm's gross fee income and the firm's past claims history
- Hong Kong Solicitors Indemnity Fund Ltd.
 - to manage the Scheme and ensure a fair and efficient management of the Scheme in the interests of both the public and the legal profession



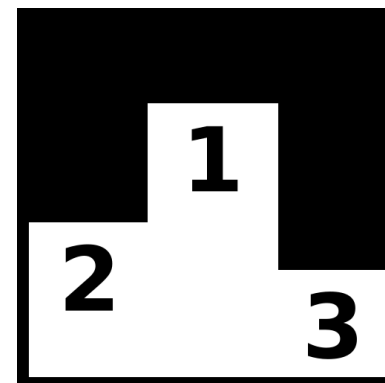
Hong Kong as a Gateway –

WHY?



International Ranking

- Ranked 1st in terms of economic freedom for 25 years (1995-2019) according to the Heritage Foundation
- Ranked 2nd in terms of most competitive economy in the World Competitiveness Yearbook 2018 and 2019 as published by the International Institute for Management Development
- Ranked 4th in terms of most preferred seats of arbitration according to the 2018 International Arbitration Survey by the Queen Mary University of London
- The largest offshore renminbi clearing centre*
- The preferred listing and fundraising venue in Asia



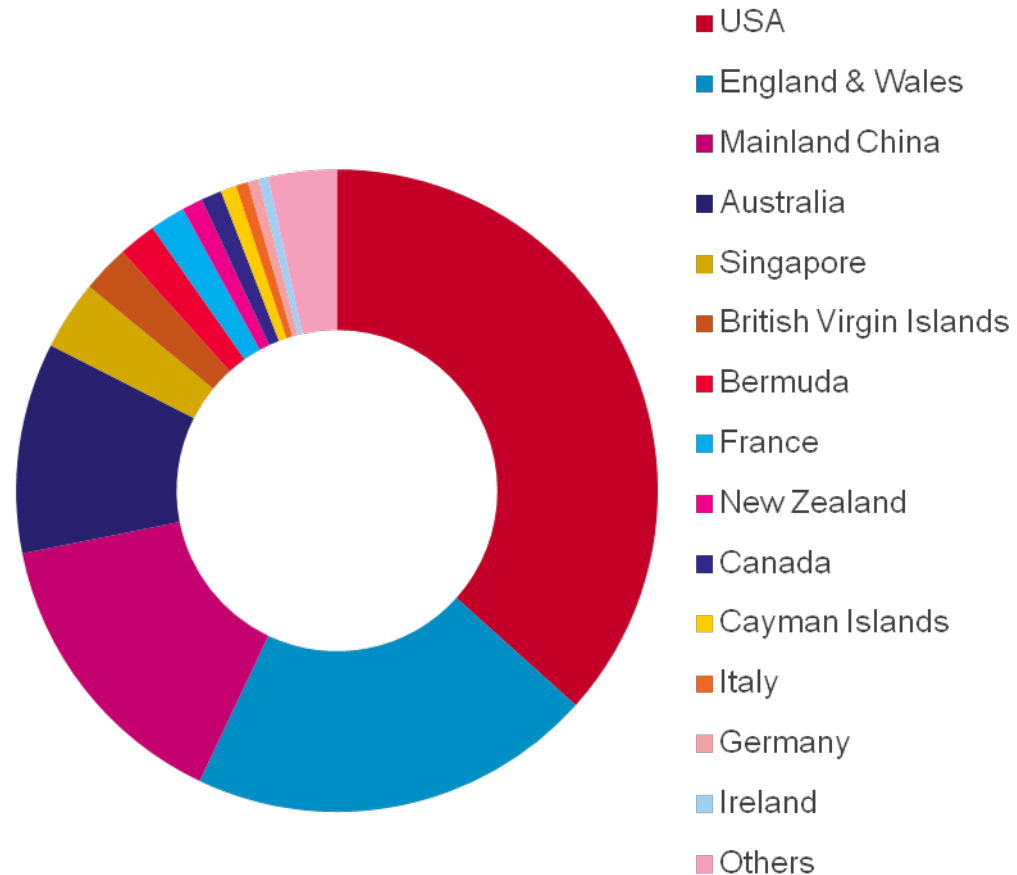
*Source: <https://www.info.gov.hk/gia/general/201906/11/P2019061100625.htm>



Why Hong Kong?

- Terrific geographical location
- Facilitating the flow of people, goods, capital and information between Hong Kong and other Asian cities
- International legal platform

Registered foreign lawyers in Hong Kong



Why Hong Kong? (cont'd)

■ Preferred venue for multinational enterprises

“Hong Kong has a very **strong talent pool**. A lot of them have **international exposure with working experience for multinational firms**. And, it is not difficult to find talent who is bilingual or even trilingual. **Language skill is crucial to our success** as we support clients speaking a range of foreign languages — seamless communications with the best level of service is the key,” Dean Hill, Executive Director of Eze Castle Integration said.

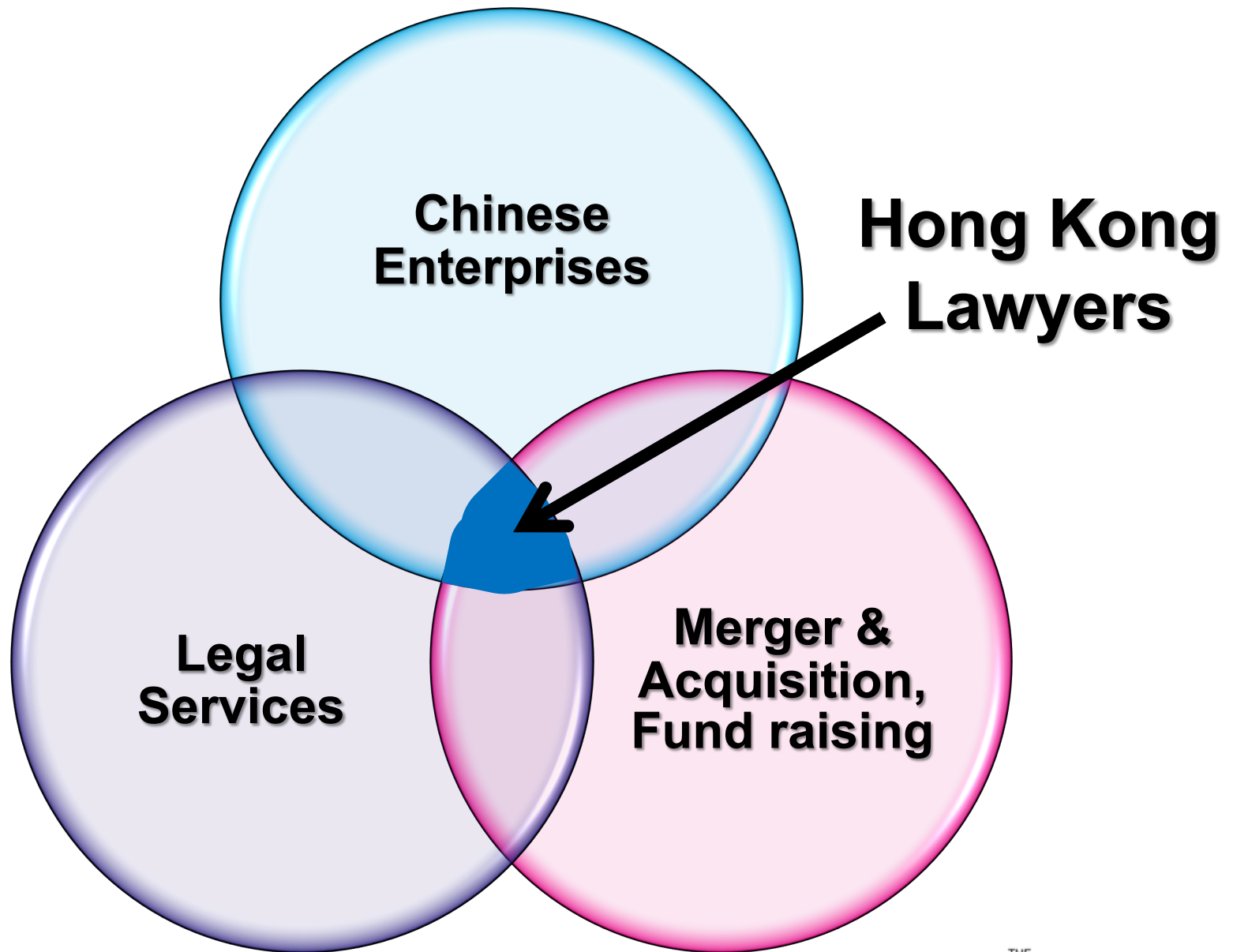
“Hong Kong is considered the perfect hub for PwC Experience Centre from the geographical, client and talent perspectives. **The city’s strategic location facing both North and South allows us to connect with the Pearl River Delta and southeast Asia**. There is also a **strong multinational client base for financial services, retail and consumer products and other sectors**. Despite keen competition from different firms to recruit digital and creative talent, **Hong Kong has further enhanced education for creative design to nurture and retain more talent in the region**,” Colin Light, PwC China and Hong Kong Experience Centre and Digital Services Leader, said.

“Hong Kong has well-developed legal and banking system, convertible currency, high education level, as well as a free trade port. All these advantages are creating immense opportunities here.” Michael Zankel, Managing Director of Gebrüder Weiss. “The Greater Bay area is a term that we have heard a lot recently. The fact is we have been witnessing the gradual integration of these areas into one over the years,” he said, “we have to find out the purpose of different locations and how they work together.”

Richard Grasby, Partner of Charles Russell Speechlys, pointed out that Hong Kong is very vibrant and energetic. “It is a **very modern city in terms of connectivity and infrastructure**. The strong infrastructure **links to many global hubs** make the city a unique place for a UK law firm planning to expand into Mainland China and the region,” Grasby concluded.



THE
LAW SOCIETY
OF HONG KONG
香港律師會



Quality Manpower

- 10,077 practising Hong Kong solicitors and 928 local law firms
- Hong Kong attracts a lot of foreign lawyers and foreign law firms to practice the law of their home jurisdictions in Hong Kong
 - 88 registered foreign law firms from 22 jurisdictions
 - 1,632 registered foreign lawyers from 32 jurisdictions
- Multiple language capabilities
- One-stop legal services to meet different clients' needs



Quality Manpower (cont'd)

- Skeleton key - experienced in handling legal matters involved multi-jurisdictions and have access to global network

Transactions with HK lawyers' participations:



International dispute resolution centre

- Leading arbitration centre in Asia
- Mature and user-friendly
- Reputable local and international arbitration institutions
 - Hong Kong International Arbitration Centre (“HKIAC”)
 - International Chamber of Commerce (“ICC”)
 - China International Economic and Trade Arbitration Commission
- The Law Society of Hong Kong: “Panel of Arbitrators” established in September 2017
- Top 5 preferred seats for arbitration globally
- Ranked No.4 globally in the efficiency of legal framework in settling disputes



Belt and Road Initiative

■ Global Connection

- Signed MOUs with 31 overseas lawyers associations and 44 lawyers associations from Greater China

■ 1st Belt and Road Conference (May 2017)

- 39 lawyers' associations from 24 jurisdictions signed the *Hong Kong Manifesto*, pledging to promote synergy, strategic partnership and collaboration, and to promote Model Law on Business and Trade amongst the signing organisations

■ 2nd Belt and Road Conference (September 2018)

- 34 lawyers' associations from 17 jurisdictions signed the *LawTech Alliance*, pledging to promote a shared ethical A.I. framework among lawyers from the Belt and Road regions





THANK YOU

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