

# Hong Kong

## Dormancy of a Hong Kong limited company

When clients find that they no longer need their Hong Kong company (the **Company**) they would naturally like to reduce their Company-related costs. With our clients' best interests in mind, Marbury would usually recommend that the Company be formally deregistered in order to prevent future liabilities. However, if there is a chance that the Company may be needed at a later stage, you may consider declaring the Company dormant.

### Dormancy

While we would recommend that clients formally dissolve a company that they are no longer using by way of deregistration, if you feel that you may need the Company at a later stage and do not use it for financial transactions currently, you may consider declaring the Company dormant. This would mean you do not need to prepare another audit until the company becomes active again. There is a small cost to becoming dormant, but this will quickly be offset by not having to pay for ongoing audits and reduced maintenance costs while the Company remains dormant.

Hong Kong companies declare dormant status by filing a Special Resolution with the Companies Registry, effective on the date of such filing.

### Weighing up the pro's and con's of dormancy versus official deregistration

Dormant companies are **exempted** from the following compliance requirements:

- Filing annual returns
- Holding Annual General Meetings
- Appointing auditors and preparing audited accounts

However, dormant companies must **comply** with the following:

- Not having relevant accounting transactions, such as the receipt and expenditure of money and the sale and purchase of goods, assets and liabilities etc. This does not include any transactions that arise from the payment of any fee which the company is required to pay by any Ordinance (such as the business registration fee)
- Pay for the business registration fees
- File Profits Tax Return and Employer's Return should there be one issued by the Inland Revenue Department

Failure to comply with these requirements will make the Company and all of its officers liable to prosecution.

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## Awakening a dormant company

If dormant companies intend to enter into accounting transactions, they can cease to be dormant by filing another Special Resolutions with the Companies Registry, effective on the date of such filing.

Marbury can assist to arrange for the Company to declare dormant status after which point the annual maintenance fees would be reduced. Please contact your usual Marbury representative for more details and associated fees.