

As a rapidly growing market, Hong Kong can be an excellent place to [establish a subsidiary](#) and grow your business. However, Hong Kong's extensive payroll regulations outlined in its Employment Ordinance can make hiring and Hong Kong payroll options complicated for companies unfamiliar with local laws and processes.

Hong Kong Taxation Rules

Most employees and employers are required to contribute to the Mandatory Provident Fund (MPF) for retirement. Contributions vary by salaries and the length of time employees have been with the company, although the minimum required amount is typically 5%. Employees automatically join your company's MPF scheme after working for 60 days.

Hong Kong's corporate income tax is 16.5% for any business carried out in the country. You don't need to withhold income tax from your employees throughout the year. Instead, employees file the tax themselves and pay Hong Kong's Inland Revenue Department (IRD) at the end of every year.

Hong Kong Payroll Options

You have numerous Hong Kong payroll options that depend on the size of your company and how active you will be in Hong Kong.

- Larger companies often choose to run their own local payroll option for their Hong Kong employees. Beforehand, you must register your Hong Kong subsidiary and hire staff in the country to handle payroll requirements. You'll need extensive knowledge of [Hong Kong employment regulations](#) to ensure your compliance with all laws.
- If you do not want to pay employees yourself, you can hire a Hong Kong payroll processing company. You'll still operate as the Employer of Record and are responsible for immigration, tax, and payroll regulations, but a separate company can handle payments and more.
- You can also work with a global PEO such as Globalization Partners. We pay your employees for you and also take on the role of [Hong Kong Employer of Record](#), so we are responsible for your business' employment compliance.

What Is Required to Set up Payroll?

First, you'll need to register your business with the IRD within one month of your official start date. The IRD will administer your tax regulations and also collect taxes and make sure you are compliant. You'll also need to submit an annual employer's return as well as these forms:

- IR566: Required to report all new hires, and must be submitted within three months of employing an individual
- IR56F: Required to report any employee terminations, and should be filed within one month of the employee's last day of work
- IR56G: Required to report any employee leaving Hong Kong for a significant length

You are also expected to set up your MPF scheme, which is similar to setting up a 401(k) in the US. Under Hong Kong payroll regulations, any new employees must be enrolled in your company's specific scheme. The employee can then choose their investment options.

Entitlement/Termination Terms to Set up Hong Kong Payroll

Employees in Hong Kong are guaranteed specific entitlement and termination terms no matter which Hong Kong payroll option you choose. Spell these terms out in either a written or verbal employment contract. For example, you can set a termination notice period of no less than seven days in your contract. Otherwise, the statutory minimum is one month.

Hong Kong payroll outsourcing with a global PEO is one of the best ways to ensure your employees get paid while taking some of the liability off your shoulders. Contact Globalization Partners today to learn more about how we can help you set up a Hong Kong payroll.