



## **Hong Kong is a tax heaven before you return to your home countries**

Mr. A is a businessman with Israel passport and left Israel over 10 years. Mr. A, together with his wife and three lovely daughters, had been living in China over 10 years. He has been running his trading business through a Hong Kong A Limited for 8 years. He went back to Israel one year ago and he is still running the trading business through Hong Kong A Limited.

Both Mr. A and his wife are deemed to be China Tax Residents when applying the “center of life” test. Therefore, their worldwide incomes are subject to China taxes. Since, Mr. A and his wife left Israel over 10 years, they are not Israel Tax Residents.

1. Mr. A spent most time in China and managed his Hong Kong A Limited in China. How could we avoid Hong Kong A Limited being deemed as a “Permanent Establishment” in China by China Tax Authority and Hong Kong A Limited needed to pay additional 25% China Corporate Tax?
2. Mr. A and his family members went back to Israel in two years. Mr. A must prove any money transferred back to Israel must be after tax money. Hong Kong A Limited has never distributed any dividend because Mr. A and her wife are China Tax Residents and any dividends from Hong Kong A Limited will be taxed at a flat rate of 20%. How to generate as much as after tax money without paying a cent tax when Mr. A and his family members back to Israel?
3. Of course, Mr. A and his wife, are entitled to claim tax benefits such as “Exemption for a period 10 years from tax and from reporting assets and income generated outside Israel” as returning residents.