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Consulting

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The complete guide:

Choosing Between the USA
and Hong Kong for Your
International Business

If you're a founder with an idea or an existing business looking to expand internationally, one of the first and most critical questions you'll face is: where should I set up my company? The USA and Hong Kong are two of the most popular jurisdictions for running an international business. This guide provides a detailed, structured breakdown of both options, based on expert insights, to help you make an informed decision.

Our Experts



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01

Who Is Each Jurisdiction For?

The choice between the US and Hong Kong largely depends on your business niche and operational plans.

The United States is best for:

1. IT and Tech Businesses

This is the core audience for the US. It includes product creation, outsourcing, and SaaS (Software as a Service) startups.

2. Service-Based Businesses

Marketing agencies, development agencies, and other creative or tech-adjacent service providers.

3. Companies Seeking Investment

The US, particularly Delaware, is the gold standard for startups planning to raise venture capital. Investors worldwide are familiar with US corporate law.

4. Companies with a US Presence (or plans for one)

While you can operate remotely, the US structure is ideal if you eventually plan to have a physical office, local employees, or servers in the country.

01

Who Is Each Jurisdiction For?

Hong Kong is best for:

1. Cross-Border Trading Companies

This is the most common and ideal profile. Hong Kong acts as a perfect bridge for businesses working with China in any capacity—import/export, manufacturing, or procurement. Payments are easier, rejection rates from Chinese partners are lower, and the ecosystem is well-established.

2. Consultants, Agencies, and Service Providers

Businesses with significant expenses can easily deduct them in Hong Kong. For them, the "offshore" tax status (explained later) is not as critical.

3. Manufacturing and Procurement Companies: If your business is located elsewhere but your supply chain or production is in China, a Hong Kong company streamlines sourcing and payments.

01

Who Is Each Jurisdiction For?

Hong Kong is best for:

4. Holding Companies and Investment Vehicles

Hong Kong can serve as a holding company, especially due to its double-taxation treaties. However, this requires a case-by-case analysis. (Note: Privacy is limited, as ownership is public).

5. Cross-Border E-commerce Aggregators

For businesses selling physical products sourced from China, Hong Kong offers seamless integration with Chinese suppliers, payment solutions, and logistics.

6. Software and Digital Product Businesses (with caution)

While possible, this is not always the best option from a tax perspective. If your revenue equals profit (low expenses), you may end up paying the standard 16.5% tax. Jurisdictions with guaranteed zero tax might be better if you can structure cash flows properly.

02

The Cost and Time of Setup & Maintenance

Both jurisdictions offer comparable and relatively affordable options for remote incorporation, but costs can scale with complexity.

United States

1. Setup Time

Very fast. Company registration can take from 1 day to up to 10 days (e.g., in Texas). Getting a tax number (EIN) can also be done quickly, sometimes in real-time.

2. Setup Cost

Very affordable. The state filing fee ranges from \$100 (Wyoming) to \$400 (Delaware). A full setup package, including registered agent and address, typically starts from \$1,000 to \$2,000.

3. Bank Account Opening

This is the most time-consuming part. Online banks (fintechs) can take as little as two days. Traditional banks may require the founder to visit the US for several days.

02

The Cost and Time of Setup & Maintenance

United States

4. Annual Maintenance

The main cost is bookkeeping and accounting, which can range from \$2,000 per year to \$10,000+, depending on the number of employees, transactions, and complexity. This includes tax preparation.

5. Can it be done remotely?

Yes, absolutely. You do not need a US visa to open a company.

02

The Cost and Time of Setup & Maintenance

Hong Kong

1. Setup Time

Company registration typically takes 2 to 4 days.

2. Setup Cost

Remote incorporation with a service provider costs around \$1,000–\$2,000. This usually includes a virtual office, a mandatory company secretary, corporate documents, and expertise.

3. Bank Account Opening

This is the most variable part. You can try to open an account yourself for free, pay an introducer, or use a service that specializes in specific banks. Costs can range from \$0 to several thousand dollars.

02

The Cost and Time of Setup & Maintenance

Hong Kong

4. Accounting

A few hundred dollars for a dormant company, rising to thousands based on transaction volume.

5. Mandatory Annual Package

Includes virtual address renewal, company secretary, and a mandatory audit. This is typically packaged for \$700–\$1,200 per year.

6. Total Annual Cost (excluding accounting)

Around \$1,500+.

7. Can it be done remotely?

Yes, for setup. Physical presence is usually only required for opening a traditional bank account. Fintech accounts can be opened remotely.

03

The Biggest Hurdle: Opening a Bank Account

Banking is often the most painful part of the process, especially for founders from certain countries.

United States

1. Online Banks (Fintechs)

Mercury, Relay, Brex, etc. Fast (2 days), fully remote. Suitable for low-risk passports.

2. Traditional "High Street" Banks

Chase, Bank of America, etc. Usually require the founder to visit the US (even on a tourist visa) and have a temporary address. Can work even with a Russian passport.

3. Remote Opening via Director Service

If you cannot get a US visa, some service providers (like Konstantin's) can open a traditional bank account by appointing one of their US-based staff as a director on the account. This is legal but comes with additional compliance checks.

03

The Biggest Hurdle: Opening a Bank Account

United States

Passport Restrictions

For online banks, a "good" (low-risk) passport is needed. If you have a higher-risk passport (e.g., Russian), you may need to provide additional proof of residency in a low-risk country (e.g., a Spanish residence card).

Payment Processors

To open accounts like Stripe or PayPal, you usually need a US tax number (ITIN), which can take 2–3 months to obtain.

03

The Biggest Hurdle: Opening a Bank Account

Hong Kong

The Reality: Hong Kong law is liberal, but its banks have some of the strictest compliance in the world.

1. Traditional Banks

If you have a low-risk passport, you may have options. Some Chinese/Taiwanese bank subsidiaries in Hong Kong may open accounts for companies with significant China-related trade. For founders with a high-risk passport (e.g., Russian), a traditional bank account is ~99% impossible.

2. Fintechs (EMIs/MSOs)

This is the most reasonable starting point. They offer remote, multi-currency accounts and have a higher risk appetite.

Low-risk founders: Plenty of cheap, flexible options.

High-risk founders: Be prepared for heavy scrutiny, higher fees, and the need for niche providers. It's achievable for legal businesses but may require time and expertise.

03

The Biggest Hurdle: Opening a Bank Account

Hong Kong

3. Non-Resident Bank Accounts Abroad: A Hong Kong company can legally open a bank account in other countries (e.g., a bank account in China). This is a very common and accepted practice.

Important Warning

Fintech accounts are often not permanent. They can be closed for various reasons, including a partner's failed compliance or sudden internal policy changes. Traditional banks are more stable.

04

The Tax Question: How to Get to Zero

The promise of low or zero taxes is a major draw. Here's how it actually works in each jurisdiction.

United States

- The "Tax-Free" Condition (for LLCs)

If you form an LLC (a pass-through entity) and have no physical presence in the US, you can be tax-free at the federal level.

This means:

No office, no local employees, no servers in the US.

You spend less than 3 months per year in the country.

You are not a US tax resident.

- How it works

If you meet these conditions, your US accountant will file a tax return showing zero tax liability. The IRS is unlikely to audit small to medium-sized businesses with clean operations. The tax-free status is the default.

04

The Tax Question: How to Get to Zero

United States

- If you HAVE US Presence

If you have an office or employees in the US, the portion of income related to that US activity becomes taxable. You must then apportion your revenue accordingly.

- Personal Taxes:

Your global income, including from the US LLC, will likely be taxed in your country of tax residency. For small businesses, it's hard to avoid this. For larger structures, there are strategies (like being a passive investor) to potentially mitigate this.

- C-Corps: If you form a C-Corporation (standard for raising investment), the company pays a federal tax of 21%, plus any state-level taxes.

04

The Tax Question: How to Get to Zero

Hong Kong

- Corporate Tax Basics

There is no VAT, GST, or dividend tax. The only tax is Profits Tax.

Standard Rate: 16.5% on profits (not revenue).

Reduced Rate: 8.25% on the first HKD 2 million (approx. \$250,000) of profits.

- The "Offshore" Claim (The Path to Zero)

You can apply for "offshore" status if you can prove your entire business operation (contract signing, service delivery, etc.) takes place outside of Hong Kong.

- Key Difference from the US

This is NOT automatic. You must actively apply and prove your case to the Hong Kong tax authority.

04

The Tax Question: How to Get to Zero

Hong Kong

- The Reality

Even with a perfect application, approval is not guaranteed. Experts estimate a 60–70% chance of success. If rejected, you pay the standard tax rate for that year. This is a major source of disappointment for founders with unrealistic expectations.

- Personal Taxes

Like the US, your personal tax liability depends on your residency. Some countries don't tax foreign income, others have CFC rules, and others offer tax credits for taxes paid in Hong Kong. This requires a personalized consultation.

05

Hiring and Managing a Team

The complexity of hiring depends entirely on whether your employees are in the jurisdiction or abroad.

United States

1. Hiring Local Employees (US Residents)

This is complicated. It requires setting up a payroll system, handling mandatory savings accounts, insurance, and compliance. It's a complex task usually handled by specialized services.

2. Hiring Non-Residents (Contractors Abroad)

This is very easy. You simply pay them via invoice. You can use automation systems like Deel for documentation and IP transfer agreements. This is 100% deductible for the company, with one major caveat:

3. IP Capitalization

If you hire software developers abroad to create IP (like a software product), the expenses are not immediately deductible. They must be capitalized as an asset and depreciated over time (e.g., 15 years). This is complex and sometimes leads companies to move their IP to another jurisdiction to simplify deductions.

05

Hiring and Managing a Team

Hong Kong

1. Hiring Local Employees (Hong Kong Residents)

Similar to the US, this triggers payroll taxes, social contributions (MPF), and monthly reporting. This is not typical for the standard client profile.

2. Hiring Non-Residents (Contractors Abroad)

Very straightforward, similar to the US.

3. Process

Pay them abroad. No Hong Kong tax or contributions apply. Ensure contracts state the work is performed outside of Hong Kong.

Structure

For irregular work, a simple service agreement is better than an employment contract. For large turnovers, having some employees is advisable, as a company with millions in revenue and zero employees might raise questions during the mandatory audit.

05

Hiring and Managing a Team

Hong Kong

4. The Mandatory Audit: Hong Kong requires a yearly audit.

5. Documentation

You must collect invoices for all company expenses. For an "offshore" claim, 100% of invoices are needed. For a regular "onshore" filing, 10–30% sampling is usually sufficient, but this scope sometimes depends on risk profile.

Process

You match bank statements with invoices. Director's personal expenses paid for the company can be reimbursed and documented as well.

06

Transparency and Privacy

How visible is your company's ownership?

United States

- Varies by State

High Privacy (e.g., Delaware, Nevada, Texas)

Owner and director information is very private and not easily found in public records.

Semi-Private (e.g., Florida)

Directors may be visible, though owners are often not.

Most States

It varies, but generally, you can find some level of information.

Hong Kong

Not Private

The Hong Kong Companies Registry is public. Anyone can search for a company and see its directors and shareholders for a small fee.

The Only Option

Nominee ownership. Legal in Hong Kong but has banking risks

07

Key Pitfalls and Real-World Cases from the Experts

Learning from others' mistakes can save you time, money, and stress.

Common Pitfalls in the United States

1. Mass Bank Account Closures

Fintech banks can and do close many accounts at once based on passport risk. For instance, one fintech once closed 44 of their clients' accounts. The solution is to always have at least two bank accounts (ideally one fintech and one traditional).

2. Severe Penalties for Missed Forms

Forgetting to file a specific form (e.g., related to foreign ownership or foreign bank accounts) can lead to penalties as high as \$25,000 per year. This can be devastating for a small business and has led some clients to consider bankruptcy.

3. Mistakes in Tax Filing

Small mistakes are usually fixable with small penalties. However, structural mistakes are serious. Sending "smiley emails" to the IRS doesn't work for major compliance failures.

07

Key Pitfalls and Real-World Cases from the Experts

Common Pitfalls in Hong Kong

1. Unrealistic Tax Expectations

The biggest source of disappointment. Founders assume "Hong Kong = zero tax" without understanding the complexity and risk associated with the "offshore" claim.

2. Bank Account Instability

Fintech accounts are not permanent. They can be closed for inconsistent reasons—a partner's account failure, a compliance officer's mistake, or internal policy changes. Always have a backup plan (e.g., two accounts).

3. Choosing the Wrong Local Provider

Many providers simply translate instructions without offering strategic advice. They might answer your literal question but fail to anticipate problems (e.g., opening an account that doesn't work with your country). They may not fully explain costs or might suggest a suboptimal solution (like creating an accounting loss) when a client asks for an "offshore" filing.



Case Studies: Which Jurisdiction Wins?

Here's a quick decision guide based on common business scenarios.

Case 1:

Trading Company (\$1M – \$100M turnover, payments across Asia)

Winner: Hong Kong. It's the classic fit. Easy to deduct expenses, simple banking with China, and offshore status is less critical.

(US could also work, especially for e-commerce, but Hong Kong has an edge for pure Asia-focused trade).

Case 2:

SaaS Startup (\$50K revenue, 5-person remote team, seeking investment)

Winner: USA (Delaware C-Corp). It's the standard for attracting global investors. Investors understand Delaware law. A US structure signals credibility.

(Hong Kong may have a "China shadow" that makes Western investors cautious).



Case Studies: Which Jurisdiction Wins?

Case 3:

E-commerce (\$200K/year, importing from China, selling in Europe/US)

Winner: Tie / Consult an Expert. Both could work. Hong Kong makes buying from China easier. The US is fine for selling. At this low revenue, the choice depends on long-term goals and should be discussed with an advisor.

Case 4:

Online Courses/Digital Products (\$30K/month, founder lives in UAE)

Winner: USA (LLC). Since revenue equals profit (low expenses), Hong Kong's 16.5% tax would apply. The US LLC offers zero federal tax with no physical presence. The UAE also offers zero tax but has higher annual licensing costs (\$6,000+), making the US a more budget-friendly option at this stage.



Case Studies: Which Jurisdiction Wins?

Case 5:

Holding Company (Owning shares in other businesses)

Winner: Depends on Investors. For a global investor base, a US C-Corp or LP is common. For a structure focused on Asia and double-tax treaties, Hong Kong may work. This is a complex case that requires analyzing the tax residency of the owners and the specific treaties involved.



Final Advice

The Single Most Important Step


Before you open a company anywhere, follow this crucial advice from our experts.

For the USA:

You definitely need to understand your structure and your goals. Is your goal relocation? Then you need a C-Corp, not an LLC. Where are your owners and employees located? This determines your local tax obligations. While you can handle many things yourself, you absolutely need a good service provider for bookkeeping and, most importantly, for filing reports to the IRS. The penalties for getting it wrong are severe, as we've seen. Don't try to do it alone.

For Hong Kong:

First, decide on your structure. You must clearly understand what your company will do, in which countries, and if you actually need a company at all. Don't confuse a business need with a personal goal (like relocation). Second, make sure the jurisdiction truly fits you. Talk to experienced professionals who can explain, based on real cases, how your structure would work. A good advisor will tell you if your setup is wrong, even if it means losing a client today.



Need advice?
Schedule free meeting:



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