



THE **EASY** GUIDE ON  
**ACCOUNTING & TAX**  
FOR CRYPTO COMPANIES  
IN HONG KONG

*fidinam*

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# INTRO

Thank you for your interest in accounting and tax for crypto companies in Hong Kong.

Buying and selling cryptos is becoming increasingly mainstream. A growing number of companies are using cryptocurrencies as a form of payment; from hotel chains, insurance and airlines, to handmade cosmetic companies.

At the same time, tax authorities around the world are developing crypto tax frameworks. Preparing tax declarations when digital assets are involved can be complicated. Not doing it can lead to serious consequences, such as penalties and prosecution.

Our mission is to support the adoption of cryptocurrencies, helping companies and entrepreneurs to innovate while complying with international tax and accounting standards.

This guide aims to help Hong Kong companies to comply with local tax regulations when digital assets are involved. Follow the step-by-step flowchart as your guideline.

Fidinam is here to help you with every step along the way to crypto compliance.



**Alessandro Pedrinoni**  
CEO Asia Pacific at Fidinam

**"Blockchain and crypto are without doubt the biggest technological revolutions of the last 100 years. Smart entrepreneurs will ride this wave to grow new businesses and Fidinam is perfectly positioned to help them doing so. Nowadays being compliant is not an option, it is an obligation."**

# BY THE NUMBERS

The blockchain technology market is estimated to have a revenue worth US\$20 billion by 2024, a **6200% increase since 2015**<sup>1</sup>

There are **over 70 million** registered blockchain wallets, up from 11 million in Q4 2016<sup>2</sup>



The global blockchain market size to grow at a **CAGR rate of over 69%** between 2019 to 2025<sup>3</sup>

Globally, the banking sector alone could generate up to **\$1 billion in revenue** from blockchain-based cryptos<sup>4</sup>



<sup>1</sup> Source: Cision (via techjury.net/blog/blockchain-statistics)

<sup>2</sup> Source: Statista (via techjury.net/blog/blockchain-statistics)

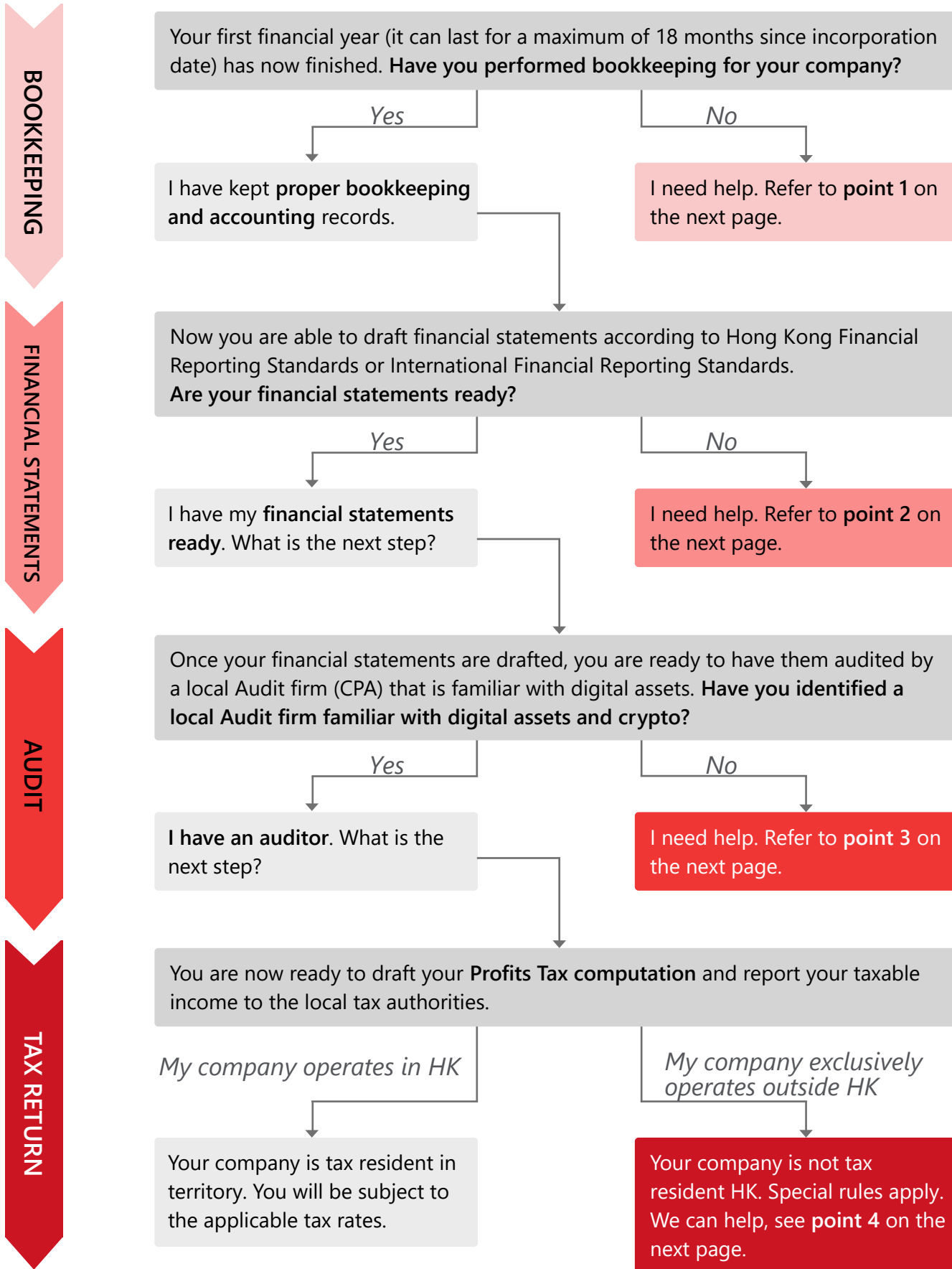
<sup>3</sup> Source: Globe News Wire (via techjury.net/blog/blockchain-statistics)

<sup>4</sup> Source: Medium (via techjury.net/blog/blockchain-statistics)

# STEP-BY-STEP GUIDE

You have setup a company in Hong Kong. You pay, receive or keep in custody and trade **digital/crypto assets**. You now have to comply with local regulation and draft **Financial Statements, Audit and Tax declarations**.

Let us guide you.

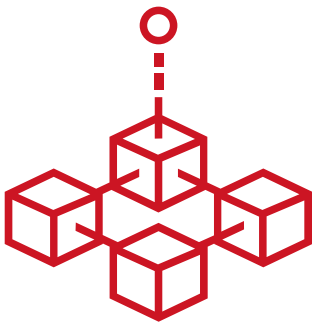


# GOING IN-DEPTH

1

**Bookkeeping** is the first essential part of accounting, as it involves keeping records of the financial affairs of your business (e.g. recording crypto-trading income, payment of an invoice, contribution of capital of receipts of payments from clients). Without recording day-to-day financial transactions, you will not be able to draft financial statements. Bookkeeping in Hong Kong has to be performed according to the Hong Kong Financial Reporting Standards (HKFRS).

**Fidinam can support you in performing bookkeeping that includes digital assets such as coins, tokens, NFTs or any other form of crypto.**



**Financial Statements** are a key element of Part 9 of the Accounts and Audit of the new Companies Ordinance (Cap. 622). The Ordinance requires companies to keep accounting records and prepare and circulate financial statements, directors' and auditors' reports to the appointment and rights of auditors on an annual basis.

**Fidinam can support you in drafting financial statements that include digital assets.** We are serving several clients operating as crypto prop trading companies, service companies running ICOs, crypto custodians, crypto funds and others.

2

# GOING IN-DEPTH

**Audit** is the process of auditing financial statements of a company. In Hong Kong the process is usually managed by a Certified Public Accountant (CPA) appointed by the director of the company. You will need to provide the source documents to the auditor for the preparation of audited financial statements. Such documents are the financial statements, payable and receivable information, invoices, expenses, bank statements and in the case of crypto assets, printouts of public blockchains transactions and screenshots of centralized crypto exchanges reports, among the others.

The audited financial statements are prepared annually and will be available for inspection to investors, directors, and the management team. The audited financial statements will include an opinion by the CPA on whether the financial statements prepared by company are in accordance with the HKFRS.

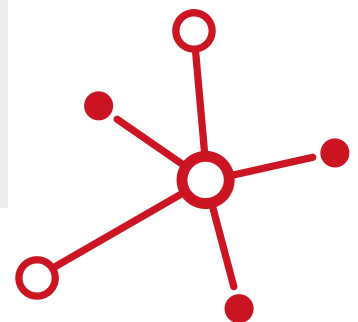
**Fidinam cooperates with several local CPA firms able to audit crypto-related businesses.**

# 3

# 4

Your company will need to file a **Profits Tax Return** every year, with a deadline based on the financial year end date of your company. To file a tax return, you will need audited financial statements (see point 3) together with a tax computation. Tax rates for companies range from 8.25% to 16.5% for tax resident companies, while non-tax resident companies may be eligible for tax exemption when filing for an offshore profit claim.

**Fidinam has developed in-depth expertise for tax declarations involving income generated by trading, disposing or receiving crypto.**



# FAQ

**Does my crypto company have to pay tax in Hong Kong? My provider informed me that if there is no business in Hong Kong, no tax will be due.**

Hong Kong companies normally pay corporate taxes (locally known as profits tax). The applicable tax rates are either 8.25% or 16.5%, according to the amount of profits generated during the relevant financial year.

Companies that do not operate in the territory of Hong Kong and have no local connections, other than a local CPA and company secretary, can apply for a tax status known as "offshore profit claim". The local tax authority, Inland Revenue Department (IRD), will investigate every company requesting the special status. Normally it will issue two or more detailed questionnaires requesting documental evidence that the company has no ties with Hong Kong's economy. Fidinam Hong Kong has developed in-depth expertise in managing offshore profit claim cases.

**I incorporated my company two years ago. I have received letters from the Inland Revenue Department. What can I do?**

Most crypto companies struggle to meet deadlines in the first years of existence. We can help them to draft and file outstanding tax returns and financial statements while minimizing potential penalties imposed by the IRD. In most cases, the tax authority adopts a lenient approach with start-up businesses.

**Can you audit companies trading, selling or purchasing services through digital assets?**

Yes, we have partner auditors that can audit financial statements, including digital assets.

**When does the tax liability arise? What exchange rate should be used to calculate the taxable income?**

Companies that generate revenue in crypto, record it like any other income generated in fiat money. The applicable exchange rates are readily available online. Depending on the jurisdiction, different tax treatments may apply. Fidinam supports you with navigating accounting and tax complexities.



# FAQ

## I have carried out an Initial Coin Offering (ICO) in Hong Kong. What are my obligations?

In our experience, many companies incorporated in Hong Kong dealing with crypto between 2017 and 2019 have been used for issuing ICOs. ICOs can generate relevant regulatory and tax implications (i.e. Anti Money Laundering requirements and potential taxation of profits generated by the contributions). We have developed strong in-house knowledge to rectify previous mistakes made during the issuance of an ICO in Hong Kong.

## Can freelancers, team members and/or employees be paid in crypto? What are the tax implications? Are equity payments in crypto acceptable?

Salary payments in crypto, if allowed in the relevant jurisdiction, must be declared and accounted for. Some jurisdictions may not allow salary payments in foreign currency, so crypto may not be acceptable.

## Do I have to report my capital gains if I trade crypto in a personal capacity?

In principle, capital gains are not taxable in Hong Kong. If trading crypto is your main activity, you may need to register as a sole trader or a company to operate your business, and in that case, capital gains will be deemed as profits, hence taxable.

## What if I get paid in crypto?

Virtual currency received as payment for goods or services should be treated as income on your tax return. Just like an airdrop, you would report the fair market value of the deposit (as of the time you received it). Whether you were paid wages or paid as an independent contractor will determine where on your tax return the income is reported. Fidinam can guide you with this.

## CONTACT US

Fidinam is an international firm, providing a wide range of services for companies, entrepreneurs and individuals.

We support the adoption of blockchain technology, helping companies and entrepreneurs to innovate while complying with international tax and accounting standards.

Our clients are individuals, crypto exchanges, funds, proprietary trading and service companies exposed to the use of cryptocurrencies.

Our corporate solutions include accounting, company secretarial, tax filing, HR and payroll. Benefit from our operational advisory and digital solutions to manage your business efficiently.

Furthermore, Fidinam provides international tax advisory as well as wealth and estate planning for individuals and families.

Looking for tailormade service and global resources? **Fidinam can help.**

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Think big. We take care  
of everything else.

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