If Walmart were a country, it would be China’s sixth largest export market. The world’s most populous nation continues to offer U.S. companies tantalizing business opportunities. The “One Country, Two Systems” settlement agreed to as part of the handover of Hong Kong from Great Britain to China ensures that the world’s most affluent island continues to maintain its own distinct taxation and social insurance regime, with payroll requirements being quite different in Hong Kong then they are in China. With youthful populations, rapidly expanding economies, and a very attractive cost base, more businesses are expanding operations in the region.

Whichever one of these dynamic economies your company decides to enter, payroll requirements must be planned for as a core business responsibility. While withholding obligations are minimal in Hong Kong, these are replaced by strict reporting requirements. China has a comprehensive set of regulations applying to payroll which require careful scrutiny. Getting employment and payroll regulations wrong will cost your company much in terms of compliance penalties, reputation risk, and time to correct the issues. Your company is responsible for following local country rules and payroll requirements to allow for effective management of the payroll function.

**China**
- State Administration of taxation set-up
- Website and English forms
- Residency rules for visiting ex-pats
- Individual Income Tax withholding obligation
- Calculating monthly taxable income
- Using quick deductions
- Tax concessions for ex-pats
- Tax treatment of annual bonuses
- Individual Income Tax monthly returns and payments
- Social insurance organization
- Pension insurance
- Medical insurance
- Paid sick leave
- Work-related injury insurance
- Unemployment insurance
- Maternity insurance
- Insurance administration and reporting
- Earnings ceilings application
- Foreigners’ liability for social insurance
- Housing Fund contributions
- Disabled Workers Employment Assistance Fund
- Employment law
- Working time
- Paid holidays
- Termination and severance

**Hong Kong**
- Inland Revenue Department set-up
- Registering staff
- Salaries Tax overview
- IR56 forms
- Reporting and withholding from leavers
- Annual year-end reporting
- Mandatory Provident Fund
- Exemptions
- Contribution rates
- Reporting/payment deadlines to Mandatory Provident Fund
- Employment law
- Paid leave
- Sick and parental leave