

# Tax Newsflash



## Hong Kong Tax News

# Passage of 2014-15 Budget HK-US TIEA Entered Into Force

## Passage of 2014-15 Budget Measures

The Inland Revenue (Amendment) Bill 2014 was passed by the Legislative Council on 25 June 2014. The new Ordinance gives effect to some concessionary measures proposed in the 2014/15 Budget, including:

- one-off tax reduction, subject to a ceiling of HK\$10,000
- increase of dependent parent / grandparent allowances
- raising the deduction ceiling for elderly residential care expenses

The one-off tax reduction will be reflected in the taxpayers' final tax payable for the year of assessment 2013/14. In addition, the Inland Revenue Department ("IRD") will apply the enhanced dependent parent / grandparent allowances and deduction ceiling for elderly residential care expenses when calculating the provisional tax for the year of assessment 2014/15.

## HK-US TIEA Entered Into Force

Hong Kong's first tax information exchange agreement ("TIEA") signed with the United States ("US") came into force on 20 June 2014. The agreement was signed in March 2014.

TIEAs provide for exchange of information ("Eol") by the IRD upon request made by another jurisdiction in relation to the assessment or enforcement of tax matters. Instead of having the Eol provision included as part of the comprehensive agreements for avoidance of double taxation ("CDTAs"), TIEAs provide for Eol on a stand-alone basis.

As Hong Kong does not have a CDTA with the US, a TIEA was signed for Eol purpose. The TIEA with the US provides the necessary basis for Hong Kong to provide for Eol upon requests made in relation to the information reported by financial institutions in Hong Kong to the US under the US Foreign Account Tax Compliance Act ("FATCA"). US persons, including those who live outside the US, to report to the US tax authorities their financial accounts held in other jurisdictions, and FATCA requires foreign financial institutions including those in Hong Kong to report the financial information in respect of their US clients. The signing of a TIEA with the US will allow the US tax authorities to file a request to the IRD for Eol under specified conditions.

The HK-US TIEA has effect for requests in respect of any period that starts on or after 20 June 2014, and for all charges to tax arising on or after 20 June 2014.

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