

Tax Newsflash



Hong Kong Tax News

- HK's tax co-operation status clarified
- HK Government's commitment to AEOI
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- HK-Italy tax treaty in force

HK's tax co-operation status clarified

On 12 October 2015, the European Commission (EC) updated the list of non-cooperative jurisdictions on its webpage. Hong Kong (HK) is no longer on the list of non-cooperative tax jurisdictions listed by 10 European Union (EU) member states.

In June 2015, the EC issued a list of 30 non-cooperative jurisdictions that included HK. The sole criterion for listing a jurisdiction was that at least 10 EU member states have considered the jurisdiction as non-cooperative on their own black lists. Please click [here](#) to view our Tax Analysis "A Hong Kong perspective on the EU efforts to prevent harmful tax competition" issued on 22 July 2015.

Recently, it was found that the list published by the EC in June 2015 had wrongly classified HK as a non-co-operative tax jurisdiction listed by 10 EU member states. There was a technical error of presenting HK on the Spanish blacklist. In fact, Spain has cleared HK from its national list since 2013. In addition, Estonia no longer presents a national list in the EC's updated website in October 2015.

It is welcomed that HK's tax co-operation status has been clarified. Yet, HK is still mentioned by 8 EU member states on their lists and may give a wrong impression that HK is a tax haven. Amongst the 28 EU member states, HK has signed 13 Comprehensive Avoidance of Double Taxation Agreements (CDTAs) and 2 Tax Information Exchange Agreements (TIEAs) with the EU member states. HK is negotiating 5 more CDTAs / TIEAs with the EU member states. With all these efforts, it is hoped that HK can be removed from more EU member states' national lists. Considering that the EC is using EU member states lists, it would also be welcomed if the EC would step up its transparency with regard to the criteria applied among EU member states.

HK Government's commitment to AEOI

In 2014, the Organization for Economic Cooperation and Development (OECD) released the Common Reporting Standard (CRS) for Automatic Exchange of Information (AEOI) purpose, calling on governments to collect from their financial institutions financial account information of overseas tax residents and exchange the information with jurisdictions of residence of the relevant account holders on an annual basis. In order to maintain HK's position as an international financial center and avoid being labeled as an "uncooperative" jurisdiction, the HK Government indicated its support to AEOI, with a view to commencing the first information exchanges by the end of 2018.

The HK Government launched a consultation exercise on the proposed model for implementing AEOI in HK, which ended on 30 June 2015. The consolidated response to the consultation exercise (link [here](#)) was released in October 2015. The HK Government is working on the draft amendment bill which will incorporate the latest features as set out in the consolidated response. It is planned that the bill will be introduced to the Legislative Council in early 2016 so that the necessary domestic legislation can be put in place by 2017 in order to meet the commitment in 2018.

Orders on TIEAs with Nordic jurisdictions gazetted

HK signed TIEAs with six Nordic jurisdictions (i.e. Denmark, the Faroes, Greenland, Iceland, Norway and Sweden) in August 2014. The TIEAs provide for exchange of information upon request between HK and the relevant jurisdictions in relation to the assessment or enforcement of tax matters. Six orders under the Inland Revenue Ordinance (IRO) for implementing these TIEAs was gazetted on 2 October 2015. The orders has been laid before the Legislative Council on 14 October 2015 for negative vetting. The TIEAs will take effect after both HK and the relevant partners have completed their ratification procedures.

Order on HK-China DTA 4th protocol gazetted

An order under the IRO to implement the 4nd protocol to the HK-China Double Taxation Arrangement (DTA) was also gazetted on 2 October 2015. The protocol will take effect after both HK and Mainland have completed their ratification procedures. For details of the 4th protocol, please click [here](#) to view our Tax Analysis "New protocol for Hong Kong-China double taxation arrangement signed" issued on 21 April 2015.

HK-Italy tax treaty in force

The CDTA between HK and Italy entered into force on 10 August 2015, after the completion of ratification procedures on both sides. For HK tax purpose, the CDTA will have effect from the year of assessment 2016/17.

HK signed the CDTA with Italy in January 2013. The CDTA has incorporated an article on exchange of information which is in line with the international standard. HK Government will appeal for the early removal of HK from Italy's "blacklist".

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