



Tax Newsflash

Hong Kong Tax News: Passage of new law for Automatic Exchange of Information (AEOI)

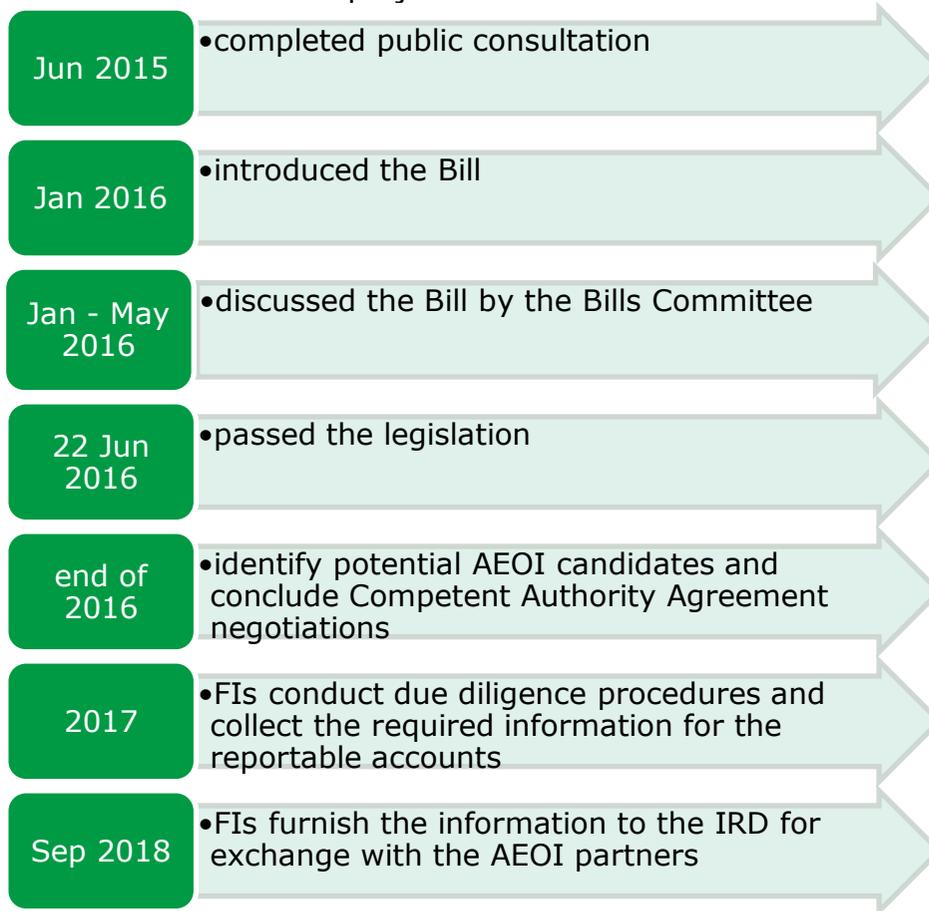
The Inland Revenue (Amendment) Bill 2016 has been passed on 22 June 2016. The new law provides a legal framework for Hong Kong to implement the new international standard for automatic exchange of financial account information in tax matters (AEOI) as promulgated by the Organization for Economic Co-operation and Development (OECD).

In brief terms, under the AEOI standard, a financial institution (FI), which is widely defined, is required to identify financial accounts held by tax residents of reportable jurisdictions (i.e. tax residents who are liable to tax by reason of residence in the jurisdictions with which Hong Kong has entered into an AEOI arrangement). FIs are required to collect the reportable information of these financial accounts, and furnish such information to the Inland Revenue Department (IRD). The IRD will exchange it with the tax authorities of AEOI partner jurisdictions on an annual basis. Hong Kong intends to conduct AEOI only with partners with which Hong Kong has signed comprehensive double taxation agreement (CDTA) or tax information exchange agreement (TIEA) on a bilateral basis.

The new law covers the following four key aspects:

1. Scope of FIs and financial accounts to be reported
2. Obligations on FIs to identify reportable accounts and collect information from account holders
3. Scope of information to be furnished by FIs to the IRD
4. Enforcement powers for the IRD and sanctions against non-compliance

The timeline of the AEOI project is as follows:



With the passage of this new law, it is mandatory that all in-scope financial institutions in Hong Kong would need to comply with AEOI. This means that FIs will need to be prepared for AEOI implementation before the year end for its timely roll-out of due diligence procedures on new accounts starting 1 January 2017. As it takes time for FIs to establish the necessary procedures that meet the AEOI standard, we would advise FIs to start the process as early as possible. We would be happy to advise FIs with respect to AEOI related matters and how they could become AEOI compliant.

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