



Tax Newsflash

Hong Kong Tax News: Automatic Exchange of Financial Account Information (AEOI) in Tax Matters in Hong Kong



Making another century of impact
德勤百年庆 开创新纪元

The Common Reporting Standard (CRS) is the standard for automatic exchange of financial account information (AEOI) developed by the Organization for Economic Co-operation and Development (OECD). Hong Kong passed the Inland Revenue (Amendment) (No.3) Ordinance 2016 (2016 Amendment Ordinance) on 22 June 2016, which provides a legal framework for Hong Kong to implement the international standard for AEOI and has been effective since 1 January 2017. In brief terms, under the AEOI standard, a financial institution (FI), which includes Depository Institution, Custodial Institution, Investment Entity and Specified Insurance Company, in Hong Kong 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) on an annual basis. Under the 2016 Amendment Ordinance, the IRD will exchange the reportable information with the tax authorities of AEOI partner jurisdictions, which include partners that have signed comprehensive double taxation agreement (CDTA) or tax information exchange agreement (TIEA) on a bilateral basis with Hong Kong.

While Hong Kong is on its way of commencing the first automatic exchanges with a number of jurisdictions in 2018, both the OECD and the European Union ("EU") have commenced their respective exercises to draw up lists of "non-

cooperative tax jurisdictions". One of the listing criteria is the progress and the network of implementing AEOI. In the case of the EU, a jurisdiction could be regarded as compliant on tax transparency if it fulfils certain criteria. One of such criteria is that arrangement has been in place for AEOI with all Member States of the EU by the end of 2017. Further, a considerable number of jurisdictions have also expressed to OECD their interests in conducting AEOI with Hong Kong. In view of the above, Hong Kong would need to expand the AEOI network quickly to mitigate the risk of being treated as "non-cooperative tax jurisdiction".

With such, the Inland Revenue (Amendment) (No. 3) Bill 2017 (2017 Amendment Bill) was passed by the Legislative Council ("LegCo") on 7 June 2017, which expanded the list of reportable jurisdictions (for its first reporting in 2018) from 2 to 75 for Hong Kong and required FIs to start collating information from the relevant account holders with effect from 1 July 2017. Please refer to the IRD website for the most updated list of reportable jurisdiction:

http://www.ird.gov.hk/eng/tax/aeoi/rpt_jur.htm

Further, Hong Kong has thus far relied on a "bilateral" approach to the implementation of AEOI. Along with the international efforts to increase transparency in the financial industry, the Hong Kong Government has also expressed concerns as to the efficiency and effectiveness of a bilateral approach in negotiating agreements with different jurisdictions. With such, Hong Kong has continued to express its determination in modifying the AEOI from a bilateral approach to a multilateral approach. The multilateral approach involves the signing of a multilateral Competent Authority Agreement (CAA) under the Multilateral Convention whereas bilateral approach requires an individual CAA to be negotiated separately with each jurisdiction. It should be noted that amongst the 100 jurisdictions committed to AEOI, 90 of them have participated in the Multilateral Convention.

It is anticipated that the Hong Kong government would be issuing further guidance and updates to highlight the key changes, including a possibility of introducing amendment bill to the LegCo to implement the multilateral approach. We will continue to closely monitor the AEOI development. In the meantime, please feel free to contact us if you have any questions.

Tax Newsflash is published for the clients and professionals of Deloitte Touche Tohmatsu. The contents are of a general nature only. Readers are advised to consult their tax advisors before acting on any information contained in this newsletter.

If you have any questions please contact:

Sharon Lam

Tax Partner

+852 2852 6536

shalam@deloitte.com

Candy Chan

Tax Partner

+852 2852 5886

cancha@deloitte.com.hk

Jennifer Shih

Tax Senior Manager

Edmond Lam

Tax Manager

+852 2852 5687

jeshih@deloitte.com.hk

+852 2238 7564

elam@deloitte.com.hk



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see [About Deloitte](#) for a more detailed description of DTTL and its member firms.

Privacy

Thank you for your interest in Deloitte China services. Deloitte China would like to continue to use your personal information (in particular name and contact details) for the purpose of sending you marketing and regulatory updates, invitations to seminars and other events organized, sponsored or promoted by Deloitte China. If you do not wish to receive further communications from Deloitte China, please send a return email to the sender with the word "Unsubscribe" in the subject line.

If you would like to update your personal information, please click [here](#).

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively the "Deloitte Network") is by means of this communication, rendering professional advice or services. None of the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.

©2017. For information, contact Deloitte China.

To no longer receive emails about this topic please send a return email to the sender with the word "Unsubscribe" in the subject line.