

## Hong Kong releases consolidated response to AEOI industry consultation

### Closing the distance

Global Financial Services Industry



#### Hong Kong Inland Revenue Department releases consolidated response to Automatic Exchange of Information (“AEOI”) industry consultation

On October 12, 2015, the Hong Kong Inland Revenue Department (“IRD”) released a **consolidated response** to the industry consultation it hosted from April to June 2015. Hong Kong had pledged in September of 2014 to adopt the Common Reporting Standard (“CRS”), planning for the first information exchange to occur in 2018. This industry consultation was “to gauge views on how [the IRD] should adapt to Hong Kong the new standard on AEOI promulgated by the Organisation for Economic Cooperation and Development (“OECD”).” In its **press release**, the IRD stated that it is refining legislative proposals based on the feedback it received, specifically highlighting the following three areas, as addressed in greater detail in the consolidated response:

- The definitions of financial institutions (“FIs”), non-reporting FIs, and exempted accounts will be generally the same as the CRS with minor modifications. First, Hong Kong will exclude certain trust companies from the definition of FIs. Second, Mandatory Provident Fund Schemes, Occupational Retirement Schemes and Credit Unions registered under the relevant statutes will be “non-reporting FIs.” Third, dormant accounts will be part of the list of “excluded accounts,” which are accounts excluded from CRS coverage.
- The IRD will be providing a legal basis for FIs to use a “wider approach” to gathering information, allowing them to collect information from all non-Hong Kong account holders. This will reduce certain FIs’ compliance costs by allowing them to collect data for all account holders in a single effort provided they comply with the Personal Data (Privacy) Ordinance.

- Penalties will be established to ensure effective implementation of CRS in Hong Kong. The IRD noted that it is concerned that penalties impact the wrongdoers rather than resting the burden solely on the reporting FIs. Therefore, relevant sanctions, although continuing to apply to FIs, will also apply to employees who willfully cause the FIs to report incorrect information.

The consolidated response provides further detail on these and other topics on which the IRD received feedback, outlining the feedback and providing the IRD's legislative response.

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