

Press Release

Hong Kong and US sign tax information agreement (with photos)

Tuesday, March 25, 2014

The Secretary for Financial Services and the Treasury, Professor K C Chan, signed today (March 25) in Hong Kong on behalf of the Hong Kong Special Administrative Region Government an agreement with the United States of America (US) for exchange of information (EoI) relating to taxes. The Consul-General of the US to Hong Kong and Macau, Mr Clifford A Hart, Jr, signed on behalf of his Government.

This is the first tax information exchange agreement (TIEA) signed by Hong Kong, after the legal framework for entering into TIEAs with other jurisdictions was put in place in July last year. TIEAs provide for EoI by the Inland Revenue Department (IRD) upon request made by another jurisdiction in relation to the assessment or enforcement of tax matters. Instead of having the EoI provision included as part of the comprehensive agreements for avoidance of double taxation (CDTAs) signed by Hong Kong with other jurisdictions before, TIEAs provide for EoI on a stand-alone basis.

Welcoming the agreement, Professor Chan said that the signing of the TIEA with the US demonstrates Hong Kong's continued commitment to fulfil its international obligations on promoting tax transparency. Notwithstanding the signing of the TIEA with the US, Hong Kong would, as a business facilitation initiative, continue its efforts to expand the network of CDTAs with its trading and investment partners.

Professor Chan added, "The TIEA with the US has adopted highly prudent safeguard measures to protect taxpayers' privacy and confidentiality of information exchanged."

The TIEA with the US provides the necessary basis for Hong Kong to provide for EoI 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). FATCA requires US persons, including those who live outside the US, to report to the US tax authorities their financial accounts held in other jurisdictions, and requires foreign financial institutions including those in Hong Kong to report the financial information in respect of their US clients. Subject to the completion of the ongoing discussions, Hong

Kong intends to enter into an intergovernmental agreement with the US to lay down the arrangements which help facilitate compliance by the financial institutions in Hong Kong. As a complementary measure, the signing of a TIEA with the US will allow the US tax authorities to file a request to the IRD for EoI under specified conditions.

The TIEA will become effective after Hong Kong has completed the necessary legislative procedures for bringing the agreement into force. For this purpose, an order is required to be made by the Chief Executive in Council under the Inland Revenue Ordinance. The order is subject to negative vetting by the Legislative Council.

Details of the Hong Kong/US TIEA can be found on the IRD's website (www.ird.gov.hk/eng/pdf/Agreement_US_HongKong.pdf).

Ends



