Press release

Law for TIEA framework passed

Wednesday, July 10, 2013

The Secretary for Financial Services and the Treasury, Professor K C Chan, welcomes the passage of the Inland Revenue (Amendment) Bill 2013 by the Legislative Council today (July 10).

The Bill enables Hong Kong to enter into tax information exchange agreements (TIEAs) with other jurisdictions where necessary and to enhance the existing exchange of information (EoI) arrangements under comprehensive avoidance of double taxation agreements (CDTAs).

"Hong Kong fully supports efforts by the international community to promote transparency and exchange of information in tax administration. The passage of the Bill signifies a major step forward to enhance tax information exchange and to bring Hong Kong on par with the international standard on tax transparency and co-operation," Professor Chan said.

At present, under the Inland Revenue Ordinance (Cap. 112) (IRO), Hong Kong can only exchange tax information with another jurisdiction under the framework of a CDTA that Hong Kong has entered into with that other jurisdiction. According to the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum) of the Organisation for Economic Co-operation and Development, the latest international EoI standard is that a jurisdiction should make available both CDTAs and TIEAs as instruments for EoI. The Global Forum has recommended that Hong Kong should put in place a legal framework for entering into TIEAs, which is crucial for Hong Kong to prepare for the Phase 2 peer review of the Global Forum on jurisdictions' compliance with the international EoI standard in September 2013.

Hong Kong has been actively pursuing negotiations with its trading and economic partners on CDTAs in order to enhance cross-border trade and investment. Up till now, Hong Kong has signed 29 CDTAs and the signatories include 11 of our top 20 trading partners. In all the CDTAs signed, an EoI article to fulfil Hong Kong's international obligation was included.

"We remain committed to expanding our CDTA network. With the passage of the Bill, we would enhance the existing EoI arrangement in terms of the coverage of tax types and the limitation on disclosure of information," Professor Chan said.

"Only through doing so will Hong Kong be able to continue with its efforts in negotiating CDTAs with existing as well as potential partners whilst providing in place a legal framework for TIEAs for Hong Kong to meet its international obligations," he added.

Professor Chan also stressed that it is crucial for the Government to enhance the EoI arrangement in Hong Kong. The legislative changes passed enable Hong Kong to meet the prevailing international standard and address the local community's concerns on privacy and confidentiality.

"The Government will continue to adopt the existing highly prudent safeguards to protect taxpayers' privacy and confidentiality of information exchanged under both CDTAs and future TIEAs. The safeguards are provided at two levels - in the bilateral agreement and in the domestic law," he said.

Having regard to the international backdrop and Hong Kong's interests, Hong Kong would strive to expand its CDTA network with its trading and investment partners. On the other hand, Hong Kong would fulfil its international obligation by providing EoI under TIEAs with those jurisdictions which are not interested in signing CDTAs. With the growing aspirations of the international community on tax transparency and co-operation on a multilateral basis, the Government will review the EoI arrangement in Hong Kong in the light of experience gained under CDTAs and future TIEAs. In view of the emerging mode of international EoI standard, the Government would continue to engage local stakeholders and address relevant policy and legal issues, with a view to developing a sustainable model of EoI for Hong Kong.

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