

Press Release
**Consultation on measures to counter base erosion and
profit shifting launched**

Wednesday, October 26, 2016

The Government today (October 26) launched a consultation exercise to gauge views on implementation of measures by the Organisation for Economic Co-operation and Development (OECD) to counter base erosion and profit shifting (BEPS) of enterprises.

"Hong Kong is supportive of international efforts to promote tax transparency and combat tax evasion. Implementation of measures to counter BEPS signifies our commitment to international tax co-operation," the Secretary for Financial Services and the Treasury, Professor K C Chan, said.

The package put forward by the OECD covers 15 action plans to tackle BEPS, which seek to improve the coherence of international tax rules, realign taxation with economic substance and value creation, and promote a transparent tax environment. The OECD's top priority is to monitor the implementation of the four minimum standards, i.e. countering harmful tax practices, preventing treaty abuse, imposing country-by-country (CbC) reporting requirement and improving the cross-border dispute resolution regime.

Being an international financial centre and a responsible member of the international community, Hong Kong indicated to the OECD in June 2016 its commitment to the BEPS package and its consistent implementation. The commitment was premised on the condition that Hong Kong could put in place the necessary domestic legislation in a timely manner. Hong Kong is now an Associate in the inclusive framework established by the OECD for implementing the BEPS package.

"Hong Kong will need to revise our existing tax laws to meet the requirements of the BEPS package. In formulating our implementation strategy, we need to ensure that our model meets the international standard without compromising our simple and low tax regime," Professor Chan said.

"The implementation timetable for BEPS is very tight. To meet the

OECD's requirement, our current target is to introduce the relevant amendment bill or bills into the Legislative Council in mid-2017," Professor Chan added.

Hong Kong will focus on the four minimum standards as well as measures of direct relevance to their implementation. The priority is to put in place the necessary legislative framework for transfer pricing rules which cover the latest guidance from the OECD, spontaneous exchange of information on tax rulings, CbC reporting requirement, the cross-border dispute resolution mechanism and the Multilateral Instrument.

The consultation paper is available on the website of the Financial Services and the Treasury Bureau (www.fstb.gov.hk/tb/en/consultation-paper.htm). Members of the public are welcome to send their views to the Revenue Division of the Financial Services and the Treasury Bureau by post (24/F, Central Government Offices, 2 Tim Mei Avenue, Tamar, Hong Kong), fax (2179 5848) or email (beps@fstb.gov.hk).

The two-month consultation will end on December 31, 2016.

Ends