

Press Release

Inland Revenue (Amendment) (No. 3) Bill 2017 gazetted

Friday, March 24, 2017

The Inland Revenue (Amendment) (No. 3) Bill 2017 was gazetted today (March 24) which seeks to expand the list of "reportable jurisdictions" of Hong Kong to 74 jurisdictions for the implementation of automatic exchange of financial account information in tax matters (AEOI).

"Following the amendment, a financial institution (FI) in Hong Kong will be required to conduct due diligence and collect the required information from account holders who are tax residents of both prospective and confirmed AEOI partners of Hong Kong, and furnish the Inland Revenue Department (IRD) with the relevant information so collected," a Government spokesman said.

The Government amended the Inland Revenue Ordinance in June 2016 to put in place a legal framework for implementing AEOI. Since then, Hong Kong has signed agreements with nine jurisdictions for conducting AEOI, namely Japan, the United Kingdom, Belgium, Canada, Guernsey, Italy, Korea, Mexico and the Netherlands.

"The international community has been closely monitoring jurisdictions' progress in the implementation of AEOI and putting emphasis on a wide network of AEOI to ensure a level playing field. While Hong Kong has been sparing no efforts in expanding its AEOI network, it will be crucial for Hong Kong to take timely action in response to the mounting aspirations of the Organisation for Economic Co-operation and Development and the European Union for preserving data from the second half of 2017 for exchange with other jurisdictions," the spokesman said.

At present, Hong Kong's list of "reportable jurisdictions" covers two jurisdictions only (i.e. Japan and the United Kingdom). Subject to the passage of the Bill, the list will be expanded to include 74 jurisdictions with effect from July 1, 2017. They are all the nine confirmed AEOI partners of Hong Kong and 65 prospective AEOI partners from the following three categories:

(a) jurisdictions which expressed an interest to the OECD in late 2016 in

conducting AEOI with Hong Kong;

(b) Hong Kong's tax treaty partners which have committed to AEOI; and

(c) all Member States of the EU.

The proposal is meant to take effect from July 1, 2017. This means that all FIs would be obliged from that day onwards to identify and collect information on accounts of tax residents in these 74 jurisdictions, and then furnish the information so collected to the IRD from 2018 onwards.

The spokesman emphasised that, for the 65 prospective partners, automatic exchange will be conducted with them only when comprehensive avoidance of double taxation agreements or tax information exchange agreements are in place to provide the basis for exchange, together with bilateral competent authority agreements signed on that basis for conducting AEOI.

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