

## **Press Release**

### **Government committed to timely implementation of AEOI in Hong Kong**

Monday, October 12, 2015

The Government will, in the light of stakeholders' views collected during consultation, refine the legislative proposals for implementing in Hong Kong the new international standard on Automatic Exchange of Financial Account Information in Tax Matters (AEOI), a government spokesman said today (October 12).

Hong Kong pledged in September 2014 its support for the new standard on AEOI, with a view to commencing the first information exchanges with appropriate partners by the end of 2018. The commitment was premised on the condition that Hong Kong could put in place the necessary domestic legislation by 2017. To take the commitment forward, the Government launched a consultation exercise from April to June 2015 to gauge views on how we should adapt to Hong Kong the new standard on AEOI.

"Based on valuable feedback from over 40 stakeholders, we have formulated a consolidated response and will refine the legislative proposals as set out in the consultation document for the implementation of AEOI in Hong Kong," said the spokesman.

The major changes in three areas are as follows:

(a) The definitions of financial institutions (FIs), non-reporting FIs and exempted accounts will remain more or less intact. In the light of feedback, we will ensure that certain trust companies beyond the coverage of the OECD's Common Reporting Standard (CRS) will not be unnecessarily caught in our domestic legislation. We will also state explicitly in the proposed legislation that Mandatory Provident Fund Schemes, Occupational Retirement Schemes and Credit Unions registered under the relevant statutes will be "non-reporting FIs" and that dormant accounts will be excluded.

(b) It remains our proposal to impose a mandatory requirement for FIs to carry out the due diligence procedures set out in the CRS to identify and collect information on reportable accounts with account holder's tax residence corresponding to Hong Kong's AEOI partners (so-called "targeted approach").

However, in the light of feedback, we are inclined to provide a clear legal basis which at the same time allows FIs to pursue a "wider approach" to cover account holders with other tax residences.

(c) On the proposed penalties for FIs and employees, it is essential to put in place appropriate penalty provisions to provide for sufficient deterrent effect to ensure effective implementation of the AEOI regime in Hong Kong. We will keep the sanctions for FIs, and will also make it clear that the relevant sanctions will apply to service providers engaged by FIs to fulfill their due diligence and reporting obligations. As regards employees, in the light of feedback, we will refine the proposed sanctions by confining them to employees who have caused or permitted the FIs to provide incorrect return in a willful manner.

"We are working on the draft amendment bill, which will incorporate the latest features as set out in the consolidated response. We will press ahead to introduce the bill into the Legislative Council in early 2016, so as to meet the implementation plan. We are working under a very tight timetable," the spokesman added.

The Government's consolidated response has been uploaded onto the website of the Financial Services and the Treasury Bureau ([www.fstb.gov.hk/tb/en/docs/consolidated-response.pdf](http://www.fstb.gov.hk/tb/en/docs/consolidated-response.pdf)).

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