

# **Automatic Exchange of Financial Account Information in Tax Matters**



Financial Services and the Treasury Bureau

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## **Policy Objectives**

- (a) Expand CDTA network + sign TIEAs on need basis
- (b) Fulfill international obligations to enhance tax transparency

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## Hong Kong's Commitment

- (a) Implement AEOI
- (b) Commence first exchange by end 2018,  
subject to legislation in place by 2017

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## What is AEOI?

- (a) FIs to collect account information of **non-domestic tax residents** and report to tax authority
- (b) AEOI partners to exchange information via tax authorities on **an annual basis**

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## Approach for Hong Kong

- (a) **Pragmatic** – legislate for all essential requirements
- (b) **Effective** – delineate clearly responsibilities and sanctions
- (c) **Bilateral** – CDTA or TIEA partners, where proven capable of meeting AEOI standard

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## Financial Institutions

### (a) Custodial institution

- a trust company registered under the Trustee Ordinance (Cap.29); or
- any person that holds, as a substantial portion of business, financial assets for the account of others

### (b) Depository institution

- an authorized institution licenced or registered under the Banking Ordinance (Cap. 155); or
- a credit union registered under the Credit Unions Ordinance (Cap.119)

### (c) Specified insurance company

- an insurer authorized under the Insurance Company Ordinance (Cap.41) issues, or is obligated to make payments with respect to, a Cash Value Insurance Contract or an Annuity Contract

### (d) Investment entity

- a corporation licensed or registered under the Securities and Futures Ordinance (Cap. 571) (SFO);
- a trust company registered under the Trustee Ordinance (Cap. 29);
- a collective investment scheme or a structured produce authorized under the SFO;
- any entity that conducts as a business one or more of the activities set out in CRS, for or on behalf of a customer; or
- any entity the gross income of which is primarily attributable to investing, reinvesting or trading in financial assets and the entity is managed by another FI

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## Proposed Exemptions

(a) Non-reporting FIs

1. Government entity, international organisation, Hong Kong Monetary Authority (HKMA)
2. Pension fund of government entity, international organisation or HKMA
3. Grant Schools Provident Fund and Subsidized Schools Provident Fund
4. Broad Participation Retirement Fund, Narrow Participation Retirement Fund, qualified credit card issuer, exempt collective investment vehicle or trustee-documented trust
5. Mandatory Provident Fund Scheme and Registered Occupational Retirement Scheme

(b) Excluded accounts (meeting specified conditions)

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## Reporting Requirements

**(a) Individual account holder or controlling persons:**

Name, address, jurisdiction of residence, TIN, date of birth, and place of birth

**(b) Entity account holder:** Name, address, jurisdiction of residence, TIN

**(c) Account number**

**(d) Account balance or value @ end of calendar year and**

- **Custodial account:** total gross amount of interest, dividends, proceeds from sale or redemption of financial assets
- **Depository account:** total gross amount of interest paid to account
- **Others:** total gross amount paid to account

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## **Initial views collected and response**

- (a) General recognition of the need for Hong Kong to catch up with the international landscape**
- (b) Concerns about the priority and criteria in choosing AEOI partners**
  - Guiding principles: meeting OECD standard and ensuring relevant safeguards provided in domestic law
- (c) Scope of exemptions for certain FIs and financial accounts**
  - Not frustrating OECD's objectives and ensuring level-playing field
  - Criteria: low risks for tax evasion, subject to regulation and information reporting to tax authority

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## **Initial views collected and response (Cont'd)**

- (d) Compliance costs and burden of due diligence requirements**
  - To minimise/clarify the gaps between the existing and additional due diligence requirements as far as possible
- (e) Approach for identifying and collecting information from reportable accounts**
  - Legislate on "targeted approach", but open-minded to "wider approach"
- (f) Confidentiality safeguards and monitoring partners**
  - Safeguard measures under CDTAs and TIEAs
  - May terminate CAA for any non-compliance

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## Initial views collected and response (Cont'd)

### (g) Responsibility of ascertaining tax residence of account holders

- Account holders' responsibility: To determine tax residence
- FIs' responsibility: To conduct due diligence procedures and perform a reasonable test of self-certification

### (h) Proposed penalties should not be too heavy

- Essential to provide for sufficient deterrent effect

### (i) How to file AEOI returns by FIs

- IRD to develop a dedicated platform (AEOI Portal)

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## Targets

Tasks	Time
To report progress and submit initial implementation plans to Global Forum	Oct 2015
Introduce Amendment Bill into LegCo	Early 2016
HKSAR to enter into first Competent Authority Agreement	End 2016
FIs to commence due diligence procedures	Jan 2017
Financial institutions to file returns to IRD	May 2018
First AEOI exchange to commence	End 2018

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**Thank You**

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