

**Bills Committee on
Inland Revenue (Amendment) (No. 5) Bill 2017**

Draft Committee Stage Amendments proposed by the Government

Purpose

The Hong Kong Association of Banks (“HKAB”) sent a written submission on the Inland Revenue (Amendment) (No. 5) Bill 2017 (“Bill”) to the Bills Committee on 29 November 2017, expressing views on the operational impact on financial institutions (“FIs”) arising from the technical amendments to certain provisions in the Inland Revenue Ordinance (“IRO”) on automatic exchange of financial account information in tax matters (“AEOI”) for alignment with the Common Reporting Standard (“CRS”). The Government proposes to introduce Committee Stage Amendments (“CSAs”) to the Bill in order to minimize the compliance burden on FIs. This paper invites Members to consider the draft CSAs.

Arrangements under the Present Bill

2. As explained in our response to HKAB’s submission dated 18 December 2017, the proposed amendments concerning AEOI under the Bill aim to align the relevant provisions with the CRS without substantial changes to the due diligence requirements. We understand that reporting FIs would take time to fine-tune their systems and mode of operation in order to implement the refinements. Assuming that the Bill will be enacted within 2018, the arrangements provided under the Bill at present are as follows –

- (a) For the **first report due for May 2018** (covering data in 2017), reporting FIs are **not** required to follow the refinements as proposed in the Bill.
- (b) For the **second report due for May 2019** (covering data in 2018) –
 - (i) From 1 January 2018 to the date that the Bill is enacted, the current statutory provisions governing the identification of reportable accounts under the IRO (“Existing Provisions”) will continue to apply. The new provisions to be aligned with the CRS contemplated under the Bill (“Refined Provisions”) will not kick in.
 - (ii) From the date that the Bill is enacted till 31 December 2018, the Refined Provisions will apply.

- (c) For the **third report due for May 2020** (covering data in 2019) and thereafter, the Refined Provisions will apply.

Committee Stage Amendments

3. We understand that the above arrangements for the second reporting in May 2019 may bring operational inconvenience to reporting FIs because the exact timing of the passage of the Bill is uncertain at this stage. It would be reasonable to allow lead time for them to fine-tune their systems and mode of operation for the upcoming changes. Therefore we would like to propose that the Existing Provisions should continue to apply to the second report in May 2019 (covering data in 2018). In other words, the Refined Provisions will only start to apply on 1 January 2019 for the purpose of the third report in May 2020 (covering data in 2019).

4. The draft CSAs will give effect to the proposal in paragraph 3 by specifying 1 January 2019 as the commencement date for Clauses 5 to 11 of the Bill (concerning the Refined Provisions). The other Clauses (for expanding the scope of section 49 of the IRO) will commence on the day the Bill as enacted as Ordinance is published in the Gazette. The draft CSAs are at **Annex**.

Advice Sought

5. Members are invited to note and comment on the draft CSAs.

**Financial Services and the Treasury Bureau
December 2017**

Inland Revenue (Amendment) (No. 5) Bill 2017

Committee Stage

Amendments to be moved by
the Secretary for Financial Services and the Treasury

<u>Clause</u>	<u>Amendment Proposed</u>
1	By adding “ and commencement ” after “ Short title ”.
1	By renumbering the clause as clause 1(1).
1	By adding— “(2) Subject to subsection (3), this Ordinance comes into operation on the day on which it is published in the Gazette. (3) Sections 5, 6, 7, 8, 9, 10 and 11 come into operation on 1 January 2019.”.