

LEGISLATIVE COUNCIL BRIEF

Inland Revenue Ordinance
(Chapter 112)

INLAND REVENUE (CONVENTION ON MUTUAL ADMINISTRATIVE ASSISTANCE IN TAX MATTERS) ORDER

INTRODUCTION

A At the meeting of the Executive Council on 10 July 2018, the Council ADVISED and the Chief Executive ORDERED that the Inland Revenue (Convention on Mutual Administrative Assistance in Tax Matters) Order (“the Order”), at **Annex A**, should be made under section 49(1A) of the Inland Revenue Ordinance (Cap. 112) (“IRO”) to give effect to the Convention on Mutual Administrative Assistance in Tax Matters (“the Convention”) in Hong Kong. The Convention will enable Hong Kong to effectively discharge its obligations on international tax co-operation.

JUSTIFICATIONS

International Tax Cooperation

2. In recent years, the Organisation for Economic Co-operation and Development (“OECD”) has promulgated the automatic exchange of financial account information in tax matters (“AEOI”) and the base erosion and profit shifting (“BEPS”) package, with a view to enhancing tax transparency and combating cross-border tax evasion respectively. Exchange of information (“EoI”) for tax purposes across jurisdictions forms a key part of these two international tax co-operation initiatives.

3. The common reporting standard on AEOI mandates financial institutions to identify financial accounts held by tax residents of reportable jurisdictions and collect the required information for reporting to the tax authority. To fulfil Hong Kong’s commitment made in September 2014 to implementing AEOI, we need to exchange the information collected with other jurisdictions on an annual basis starting from September 2018.

4. The BEPS package seeks to counter the exploitation of gaps and mismatches in tax rules among economies by multinational enterprises (“MNEs”) to artificially shift profits to low or no-tax locations where there is little or no economic activity. As Hong Kong committed in June 2016 to implement the BEPS package, we need to take forward the automatic exchange of country-by-country (“CbC”) reports and spontaneous exchange of information (“SEOI”)¹ on tax rulings. In relation to the former requirement, the ultimate parent entities of the MNEs with annual consolidated group revenue not less than EUR750 million (or HK\$6.8 billion) are required to file CbC reports with their respective tax authorities for automatic exchange with other jurisdictions. In relation to the latter, while Hong Kong in general will not conduct SEOI with other jurisdictions, we need to make an exception in respect of the six specific types of tax rulings² in order to meet the minimum standard of the BEPS package.

Limitations of the Bilateral Approach to EoI

5. Hong Kong’s existing network for the EoI is underpinned by 40 Comprehensive Avoidance of Double Taxation Agreements (“CDTAs”) and seven Tax Information Exchange Agreements (“TIEAs”). We are working hard to continue expanding our treaty network. Whilst we may ride on these bilateral treaties to exchange tax information under AEOI and the BEPS package, this has become increasingly impractical given the continued expansion in the scope and network of tax information exchanges in the international community. In particular, the OECD requires participating jurisdictions to conduct the first round of AEOI with a wide network of partners by September 2018. The European Union (“EU”) also expects Hong Kong’s EoI network to cover all of the 28 EU Member States by 2018 whereas we have so far signed CDTAs or TIEAs with 18 EU Member States only. It is not possible to expand our tax treaty network fast enough for meeting Hong Kong’s EoI commitments under AEOI and the BEPS package.

¹ Information is exchanged spontaneously when the supplying party, having obtained information which it believes will be of interest to the receiving party, passes the information without the receiving party asking for it.

² The OECD mandates compulsory SEOI on six specific types of tax rulings, i.e. (i) rulings relating to preferential regimes; (ii) unilateral advance pricing arrangements or any other cross-border unilateral rulings in respect of transfer pricing; (iii) cross-border rulings providing for a downward adjustment of taxable profits; (iv) permanent establishment rulings; (v) related party conduit rulings; and (vi) any other type of rulings that, in the absence of SEOI, could give rise to BEPS concerns.

6. Both the OECD and the EU attach great importance to the timely implementation of AEOI and the BEPS package. In fact, they have drawn up their respective lists of “non-cooperative” tax jurisdictions based on the compliance status of each relevant jurisdiction with regard to the relevant requirements³. A “non-cooperative” tax jurisdiction could be subject to counter-measures which would make it a less attractive place for investment and businesses. Such counter-measures may include the imposition of withholding taxes and non-deductibility of costs of transactions by other jurisdictions.

Extending the Application of the Convention to Hong Kong

7. The Convention was jointly developed by the OECD and the Council of Europe in 1988 and amended by a Protocol in 2010. It provides a multi-party platform which allows participating jurisdictions to mutually agree with each other on all possible forms of administrative co-operation in the assessment and collection of taxes, including various modes of EoI. Participation in the Convention will enable Hong Kong to gain access to a wide network of jurisdictions for exchanging tax information under AEOI and the BEPS package.

8. The Convention has been open for signature by states only and each signatory state may specify the territory or territories to which the Convention applies. Upon the request of Hong Kong, the Central People’s Government (“CPG”) agreed in principle in May 2017 to extend the application of the Convention to Hong Kong. As at 2 July 2018, 124 jurisdictions participated in the Convention, of which 17 jurisdictions are covered by territorial extension (**Annex B**).

B

9. The declaration for extending the application of the Convention to Hong Kong (“Declaration for Extension”) made by the CPG was registered at the OECD on 29 May 2018. It includes a list of reservations and declarations made by the CPG in respect of Hong Kong under the Convention (**Annex C**). The CPG also deposited with the OECD on 25 June 2018 a Unilateral Declaration on the effective date for exchanges of information with respect to AEOI (“Unilateral Declaration”), with a view to aligning the date of entry into effect of the Convention with Hong

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³ On 5 December 2017, the EU published a list of “non-cooperative” tax jurisdictions for the first time. As at 25 May 2018, 7 jurisdictions (i.e. American Samoa, Guam, Namibia, Palau, Samoa, Trinidad and Tobago, and the US Virgin Islands) were included in the list for failing to meet the EU’s requirements on fair taxation, tax transparency and/or implementation of anti-BEPS standards. The list will be updated at least once a year.

Kong's committed timelines for the AEOI. The Convention will enter into force in respect of Hong Kong on 1 September 2018⁴.

10. The Chief Executive in Council ("CE-in-C") needs to make an order under section 49(1A) of the IRO in order to give effect to the Convention in Hong Kong. The Order, at **Annex A**, sets out the full text of the Convention as well as the reservations and declarations made thereunder by the CPG in respect of Hong Kong. In particular, it is worth noting that Hong Kong will not render other forms of assistance (e.g. recovery of tax claim/fine and tax examination) to other jurisdictions having regard to the reservations made under the relevant articles of the Convention. The Order is subject to negative vetting by the Legislative Council ("LegCo"). After the completion of the necessary legislative and administrative procedures, Hong Kong will be able to ride on the Convention to conduct EoI with other jurisdictions.

11. Hong Kong has pledged to conduct the first round of AEOI with other jurisdictions, including all the EU Member States, by September 2018. It is therefore necessary for Hong Kong to give effect to the Convention as soon as possible so as to honour our commitments and ensure the timely implementation of AEOI. Otherwise, Hong Kong may risk being labelled as a "non-cooperative" tax jurisdiction by the OECD and/or the EU, tarnishing Hong Kong's reputation as an international financial centre. In order that Hong Kong can commence the first round of AEOI on schedule, the Order will commence on the date of gazettal (i.e. 13 July 2018) instead of allowing a full 49-day negative vetting period. We briefed the LegCo Panel on Financial Affairs on this arrangement on 3 July 2018 and explained the need for early commencement of the Order. Panel members took note and raised no objection.

Implementation of EoI under the Convention

12. Hong Kong also needs to sign the respective Multilateral Competent Authority Agreements ("MCAAs") on the AEOI and automatic exchange of CbC reports. The MCAAs, signed by the Commissioner of Inland Revenue as the Competent Authority of Hong Kong under the Convention,

⁴ According to Article 29(2) of the Convention, any state may, at any later date, by a declaration addressed to one of the Depositaries, extend the application of the Convention to any other territory specified in the declaration. In respect of such territory, the Convention shall enter into force on the first day of the month following the expiration of a period of three months after the date of receipt of such declaration by the Depositary. As the Declaration for Extension was registered at the OECD on 29 May 2018, the Convention will enter into force in respect of Hong Kong on 1 September 2018.

set out the modalities of exchange between tax authorities, including confidentiality requirements, timing for exchange, medium of transfer, etc.

13. The Convention includes safeguards for protecting data privacy and confidentiality of the information exchanged and ensuring that secrecy is not compromised. All parties to the Convention will have to comply with such obligations. In case a jurisdiction fails to do so, we may suspend the exchange of information with such jurisdiction until we are satisfied that the relevant obligations are complied with.

OTHER OPTIONS

14. An order made by the CE-in-C under section 49(1A) of the IRO is the only way to give effect to the Convention. There is no other viable option.

THE ORDER

15. The main provisions of the Order are as follows –

- (a) **Section 2** declares that, for the purposes of section 49(1A) of the IRO, the following arrangements shall have effect: (i) the Convention signed by the CPG; (ii) the declaration of extension made by the CPG together with a list of reservations and declarations made under the Convention that applied to Hong Kong; and (iii) the Unilateral Declaration (“arrangements”);
- (b) **Section 3** specifies the arrangements;
- (c) **Schedule 1** sets out the text of the Convention;
- (d) **Schedule 2** sets out the declarations and reservations made under the Convention that applied to Hong Kong; and
- (e) **Schedule 3** sets out the Unilateral Declaration made under Article 28, paragraph 6 of the Convention.

LEGISLATIVE TIMETABLE

16. The legislative timetable is as follows –

Publication in the Gazette	13 July 2018
Commencement of the Order	13 July 2018
Tabling at LegCo	10 October 2018

IMPLICATIONS OF THE PROPOSAL

17. The proposal is in conformity with the Basic Law, including the provisions concerning human rights. The proposal will not affect the binding effect of the existing provisions of the IRO and its subsidiary legislation. It has no environmental, gender, family or productivity, and no sustainability implications other than those set out in the economic implications paragraph in **Annex D**. The economic, financial and civil service implications of the proposal are set out in **Annex D**.

D

PUBLIC CONSULTATION

18. We briefed the LegCo Panel on Financial Affairs at its meetings on 5 June 2017, 8 January 2018 and 3 July 2018 on the proposal of extending the application of the Convention to Hong Kong and members raised no objection. We also issued a letter to relevant stakeholders, including financial institutions, regulators, chambers of commerce and professional bodies in April 2017 to update them on the Government's plan to participate in the Convention.

PUBLICITY

19. We will issue a press release before tabling the Order at the LegCo. A spokesperson will be available to handle enquiries.

BACKGROUND

20. China became the 56th signatory to the Convention on 27 August 2013. Upon depositing the instrument of ratification of the Convention in October 2015, China made a declaration that the Convention shall not

apply to Hong Kong and Macao. The Convention has entered into force in China since 1 February 2016.

ENQUIRIES

21. In case of enquiries about this Brief, please contact Mr Stephen Lo, Principal Assistant Secretary for Financial Services and the Treasury (Treasury), at 2810 2317.

Financial Services and the Treasury Bureau
11 July 2018

Inland Revenue (Convention on Mutual Administrative Assistance in Tax Matters) Order

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Inland Revenue (Convention on Mutual Administrative Assistance in Tax Matters) Order

(Made by the Chief Executive in Council under section 49(1A) of the Inland Revenue Ordinance (Cap. 112))

1. Interpretation

In this Order—

Convention (《公約》) means the Convention on Mutual Administrative Assistance in Tax Matters done at Strasbourg on 25 January 1988, as amended by the Protocol amending the Convention done at Paris on 27 May 2010.

2. Declaration under section 49(1A)

For the purposes of section 49(1A) of the Ordinance, it is declared that—

- (a) the arrangements specified in section 3(1) have been made by the Central People's Government and applied to Hong Kong; and
- (b) it is expedient that those arrangements should have effect.

3. Arrangements specified

- (1) The arrangements specified for the purposes of section 2(a) are the arrangements in—
 - (a) the Convention signed by the Central People's Government on 27 August 2013 in the English language;
 - (b) the Declarations and Reservations made under the Convention by the Central People's Government on 29 May 2018 in the English language; and

- (c) the Declaration on the Effective Date for Exchanges of Information under the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information made under the Convention by the Central People's Government on 25 June 2018 in the English language.
- (2) The English text of the Convention referred to in subsection (1)(a) is reproduced in the English text of Schedule 1. A Chinese translation of the Convention is set out in the Chinese text of that Schedule.
- (3) The English text of the Declarations and Reservations referred to in subsection (1)(b) is reproduced in the English text of Schedule 2. A Chinese translation of the Declarations and Reservations is set out in the Chinese text of that Schedule.
- (4) The English text of the Declaration referred to in subsection (1)(c) is reproduced in the English text of Schedule 3. A Chinese translation of the Declaration is set out in the Chinese text of that Schedule.
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Schedule 1

[s. 3(2)]

Convention

Preamble

The member States of the Council of Europe and the member countries of the Organisation for Economic Co-operation and Development (OECD), signatories of this Convention,

Considering that the development of international movement of persons, capital, goods and services – although highly beneficial in itself – has increased the possibilities of tax avoidance and evasion and therefore requires increasing co-operation among tax authorities;

Welcoming the various efforts made in recent years to combat tax avoidance and tax evasion on an international level, whether bilaterally or multilaterally;

Considering that a co-ordinated effort between States is necessary in order to foster all forms of administrative assistance in matters concerning taxes of any kind whilst at the same time ensuring adequate protection of the rights of taxpayers;

Recognising that international co-operation can play an important part in facilitating the proper determination of tax liabilities and in helping the taxpayer to secure his rights;

Considering that fundamental principles entitling every person to have his rights and obligations determined in accordance with a proper legal procedure should be recognised as applying to tax matters in all States and that States should endeavour to protect the legitimate interests of taxpayers, including appropriate protection against discrimination and double taxation;

Convinced therefore that States should carry out measures or supply information, having regard to the necessity of protecting the confidentiality of information, and taking account of international instruments for the protection of privacy and flows of personal data;

Considering that a new co-operative environment has emerged and that it is desirable that a multilateral instrument is made available to allow the widest number of States to obtain the benefits of the new co-operative environment and at the same time implement the highest international standards of co-operation in the tax field;

Desiring to conclude a convention on mutual administrative assistance in tax matters,

Have agreed as follows:

Chapter I – Scope of the Convention

Article 1 – Object of the Convention and persons covered

- 1 The Parties shall, subject to the provisions of Chapter IV, provide administrative assistance to each other in tax matters. Such assistance may involve, where appropriate, measures taken by judicial bodies.
- 2 Such administrative assistance shall comprise:

- a exchange of information, including simultaneous tax examinations and participation in tax examinations abroad;
 - b assistance in recovery, including measures of conservancy; and
 - c service of documents.
- 3 A Party shall provide administrative assistance whether the person affected is a resident or national of a Party or of any other State.

Article 2 – Taxes covered

- 1 This Convention shall apply:
 - a to the following taxes:
 - i taxes on income or profits,
 - ii taxes on capital gains which are imposed separately from the tax on income or profits,
 - iii taxes on net wealth,imposed on behalf of a Party; and
 - b to the following taxes:

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- i taxes on income, profits, capital gains or net wealth which are imposed on behalf of political subdivisions or local authorities of a Party,
 - ii compulsory social security contributions payable to general government or to social security institutions established under public law, and
 - iii taxes in other categories, except customs duties, imposed on behalf of a Party, namely:
 - A. estate, inheritance or gift taxes,
 - B. taxes on immovable property,
 - C. general consumption taxes, such as value added or sales taxes,
 - D. specific taxes on goods and services such as excise taxes,
 - E. taxes on the use or ownership of motor vehicles,
 - F. taxes on the use or ownership of movable property other than motor vehicles,
 - G. any other taxes;
 - iv taxes in categories referred to in sub-paragraph iii. above which are imposed on behalf of political subdivisions or local authorities of a Party.

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- 2 The existing taxes to which the Convention shall apply are listed in Annex A in the categories referred to in paragraph 1.
 - 3 The Parties shall notify the Secretary General of the Council of Europe or the Secretary General of OECD (hereinafter referred to as the “Depositaries”) of any change to be made to Annex A as a result of a modification of the list mentioned in paragraph 2. Such change shall take effect on the first day of the month following the expiration of a period of three months after the date of receipt of such notification by the Depositary.
 - 4 The Convention shall also apply, as from their adoption, to any identical or substantially similar taxes which are imposed in a Contracting State after the entry into force of the Convention in respect of that Party in addition to or in place of the existing taxes listed in Annex A and, in that event, the Party concerned shall notify one of the Depositaries of the adoption of the tax in question.

Chapter II – General definitions

Article 3 – Definitions

- 1 For the purposes of this Convention, unless the context otherwise requires:
 - a the terms “applicant State” and “requested State” mean respectively any Party applying for administrative assistance in tax matters and any Party requested to provide such assistance;

- b the term “tax” means any tax or social security contribution to which the Convention applies pursuant to Article 2;
- c the term “tax claim” means any amount of tax, as well as interest thereon, related administrative fines and costs incidental to recovery, which are owed and not yet paid;
- d the term “competent authority” means the persons and authorities listed in Annex B;
- e the term “nationals” in relation to a Party means:
 - i all individuals possessing the nationality of that Party, and
 - ii all legal persons, partnerships, associations and other entities deriving their status as such from the laws in force in that Party.

For each Party that has made a declaration for that purpose, the terms used above will be understood as defined in Annex C.

- 2 As regards the application of the Convention by a Party, any term not defined therein shall, unless the context otherwise requires, have the meaning which it has under the law of that Party concerning the taxes covered by the Convention.
- 3 The Parties shall notify one of the Depositaries of any change to be made to Annexes B and C. Such change shall take effect on the first day of the month following the expiration of a

period of three months after the date of receipt of such notification by the Depositary in question.

Chapter III – Forms of assistance

Section I – Exchange of information

Article 4 – General provision

- 1 The Parties shall exchange any information, in particular as provided in this section, that is foreseeably relevant for the administration or enforcement of their domestic laws concerning the taxes covered by this Convention.
- 2 Deleted.
- 3 Any Party may, by a declaration addressed to one of the Depositaries, indicate that, according to its internal legislation, its authorities may inform its resident or national before transmitting information concerning him, in conformity with Articles 5 and 7.

Article 5 – Exchange of information on request

- 1 At the request of the applicant State, the requested State shall provide the applicant State with any information referred to in Article 4 which concerns particular persons or transactions.
- 2 If the information available in the tax files of the requested State is not sufficient to enable it to comply with the request for information, that State shall take all relevant measures to provide the applicant State with the information requested.

Article 6 – Automatic exchange of information

With respect to categories of cases and in accordance with procedures which they shall determine by mutual agreement, two or more Parties shall automatically exchange the information referred to in Article 4.

Article 7 – Spontaneous exchange of information

- 1 A Party shall, without prior request, forward to another Party information of which it has knowledge in the following circumstances:
 - a the first-mentioned Party has grounds for supposing that there may be a loss of tax in the other Party;
 - b a person liable to tax obtains a reduction in or an exemption from tax in the first-mentioned Party which would give rise to an increase in tax or to liability to tax in the other Party;
 - c business dealings between a person liable to tax in a Party and a person liable to tax in another Party are conducted through one or more countries in such a way that a saving in tax may result in one or the other Party or in both;
 - d a Party has grounds for supposing that a saving of tax may result from artificial transfers of profits within groups of enterprises;

- e information forwarded to the first-mentioned Party by the other Party has enabled information to be obtained which may be relevant in assessing liability to tax in the latter Party.

- 2 Each Party shall take such measures and implement such procedures as are necessary to ensure that information described in paragraph 1 will be made available for transmission to another Party.

Article 8 – Simultaneous tax examinations

- 1 At the request of one of them, two or more Parties shall consult together for the purposes of determining cases and procedures for simultaneous tax examinations. Each Party involved shall decide whether or not it wishes to participate in a particular simultaneous tax examination.
- 2 For the purposes of this Convention, a simultaneous tax examination means an arrangement between two or more Parties to examine simultaneously, each in its own territory, the tax affairs of a person or persons in which they have a common or related interest, with a view to exchanging any relevant information which they so obtain.

Article 9 – Tax examinations abroad

- 1 At the request of the competent authority of the applicant State, the competent authority of the requested State may allow representatives of the competent authority of the applicant State to be present at the appropriate part of a tax examination in the requested State.

- 2 If the request is acceded to, the competent authority of the requested State shall, as soon as possible, notify the competent authority of the applicant State about the time and place of the examination, the authority or official designated to carry out the examination and the procedures and conditions required by the requested State for the conduct of the examination. All decisions with respect to the conduct of the tax examination shall be made by the requested State.
- 3 A Party may inform one of the Depositaries of its intention not to accept, as a general rule, such requests as are referred to in paragraph 1. Such a declaration may be made or withdrawn at any time.

Article 10 – Conflicting information

If a Party receives from another Party information about a person's tax affairs which appears to it to conflict with information in its possession, it shall so advise the Party which has provided the information.

Section II - Assistance in recovery

Article 11 – Recovery of tax claims

- 1 At the request of the applicant State, the requested State shall, subject to the provisions of Articles 14 and 15, take the necessary steps to recover tax claims of the first-mentioned State as if they were its own tax claims.
- 2 The provision of paragraph 1 shall apply only to tax claims which form the subject of an instrument permitting their

enforcement in the applicant State and, unless otherwise agreed between the Parties concerned, which are not contested.

However, where the claim is against a person who is not a resident of the applicant State, paragraph 1 shall only apply, unless otherwise agreed between the Parties concerned, where the claim may no longer be contested.

- 3 The obligation to provide assistance in the recovery of tax claims concerning a deceased person or his estate, is limited to the value of the estate or of the property acquired by each beneficiary of the estate, according to whether the claim is to be recovered from the estate or from the beneficiaries thereof.

Article 12 – Measures of conservancy

At the request of the applicant State, the requested State shall, with a view to the recovery of an amount of tax, take measures of conservancy even if the claim is contested or is not yet the subject of an instrument permitting enforcement.

Article 13 – Documents accompanying the request

- 1 The request for administrative assistance under this section shall be accompanied by:
 - a a declaration that the tax claim concerns a tax covered by the Convention and, in the case of recovery that, subject to paragraph 2 of Article 11, the tax claim is not or may not be contested,

- b an official copy of the instrument permitting enforcement in the applicant State, and
 - c any other document required for recovery or measures of conservancy.
- 2 The instrument permitting enforcement in the applicant State shall, where appropriate and in accordance with the provisions in force in the requested State, be accepted, recognised, supplemented or replaced as soon as possible after the date of the receipt of the request for assistance, by an instrument permitting enforcement in the latter State.

Article 14 – Time limits

- 1 Questions concerning any period beyond which a tax claim cannot be enforced shall be governed by the law of the applicant State. The request for assistance shall give particulars concerning that period.
- 2 Acts of recovery carried out by the requested State in pursuance of a request for assistance, which, according to the laws of that State, would have the effect of suspending or interrupting the period mentioned in paragraph 1, shall also have this effect under the laws of the applicant State. The requested State shall inform the applicant State about such acts.
- 3 In any case, the requested State is not obliged to comply with a request for assistance which is submitted after a period of 15 years from the date of the original instrument permitting enforcement.

Article 15 – Priority

The tax claim in the recovery of which assistance is provided shall not have in the requested State any priority specially accorded to the tax claims of that State even if the recovery procedure used is the one applicable to its own tax claims.

Article 16 – Deferral of payment

The requested State may allow deferral of payment or payment by instalments if its laws or administrative practice permit it to do so in similar circumstances, but shall first inform the applicant State.

Section III – Service of documents

Article 17 – Service of documents

- 1 At the request of the applicant State, the requested State shall serve upon the addressee documents, including those relating to judicial decisions, which emanate from the applicant State and which relate to a tax covered by this Convention.
- 2 The requested State shall effect service of documents:
 - a by a method prescribed by its domestic laws for the service of documents of a substantially similar nature;
 - b to the extent possible, by a particular method requested by the applicant State or the closest to such method available under its own laws.

- 3 A Party may effect service of documents directly through the post on a person within the territory of another Party.
- 4 Nothing in the Convention shall be construed as invalidating any service of documents by a Party in accordance with its laws.
- 5 When a document is served in accordance with this article, it need not be accompanied by a translation. However, where it is satisfied that the addressee cannot understand the language of the document, the requested State shall arrange to have it translated into or a summary drafted in its or one of its official languages. Alternatively, it may ask the applicant State to have the document either translated into or accompanied by a summary in one of the official languages of the requested State, the Council of Europe or the OECD.

Chapter IV – Provisions relating to all forms of assistance

Article 18 – Information to be provided by the applicant State

- 1 A request for assistance shall indicate where appropriate:
 - a the authority or agency which initiated the request made by the competent authority;
 - b the name, address, or any other particulars assisting in the identification of the person in respect of whom the request is made;

- c in the case of a request for information, the form in which the applicant State wishes the information to be supplied in order to meet its needs;
- d in the case of a request for assistance in recovery or measures of conservancy, the nature of the tax claim, the components of the tax claim and the assets from which the tax claim may be recovered;
- e in the case of a request for service of documents, the nature and the subject of the document to be served;
- f whether it is in conformity with the law and administrative practice of the applicant State and whether it is justified in the light of the requirements of Article 21.2.g.

- 2 As soon as any other information relevant to the request for assistance comes to its knowledge, the applicant State shall forward it to the requested State.

Article 19 – Deleted

Article 20 – Response to the request for assistance

- 1 If the request for assistance is complied with, the requested State shall inform the applicant State of the action taken and of the result of the assistance as soon as possible.
- 2 If the request is declined, the requested State shall inform the applicant State of that decision and the reason for it as soon as possible.

- 3 If, with respect to a request for information, the applicant State has specified the form in which it wishes the information to be supplied and the requested State is in a position to do so, the requested State shall supply it in the form requested.

Article 21 – Protection of persons and limits to the obligation to provide assistance

- 1 Nothing in this Convention shall affect the rights and safeguards secured to persons by the laws or administrative practice of the requested State.
- 2 Except in the case of Article 14, the provisions of this Convention shall not be construed so as to impose on the requested State the obligation:
- a to carry out measures at variance with its own laws or administrative practice or the laws or administrative practice of the applicant State;
 - b to carry out measures which would be contrary to public policy (*ordre public*);
 - c to supply information which is not obtainable under its own laws or its administrative practice or under the laws of the applicant State or its administrative practice;
 - d to supply information which would disclose any trade, business, industrial, commercial or professional secret, or trade process, or information the disclosure of which would be contrary to public policy (*ordre public*);

- e to provide administrative assistance if and insofar as it considers the taxation in the applicant State to be contrary to generally accepted taxation principles or to the provisions of a convention for the avoidance of double taxation, or of any other convention which the requested State has concluded with the applicant State;
 - f to provide administrative assistance for the purpose of administering or enforcing a provision of the tax law of the applicant State, or any requirement connected therewith, which discriminates against a national of the requested State as compared with a national of the applicant State in the same circumstances;
 - g to provide administrative assistance if the applicant State has not pursued all reasonable measures available under its laws or administrative practice, except where recourse to such measures would give rise to disproportionate difficulty;
 - h to provide assistance in recovery in those cases where the administrative burden for that State is clearly disproportionate to the benefit to be derived by the applicant State.
- 3 If information is requested by the applicant State in accordance with this Convention, the requested State shall use its information gathering measures to obtain the requested information, even though the requested State may not need such information for its own tax purposes. The obligation contained in the preceding sentence is subject to the limitations contained in this Convention, but in no case shall such limitations, including in particular those of paragraphs 1

and 2, be construed to permit a requested State to decline to supply information solely because it has no domestic interest in such information.

- 4 In no case shall the provisions of this Convention, including in particular those of paragraphs 1 and 2, be construed to permit a requested State to decline to supply information solely because the information is held by a bank, other financial institution, nominee or person acting in an agency or a fiduciary capacity or because it relates to ownership interests in a person.

Article 22 – Secrecy

- 1 Any information obtained by a Party under this Convention shall be treated as secret and protected in the same manner as information obtained under the domestic law of that Party and, to the extent needed to ensure the necessary level of protection of personal data, in accordance with the safeguards which may be specified by the supplying Party as required under its domestic law.
- 2 Such information shall in any case be disclosed only to persons or authorities (including courts and administrative or supervisory bodies) concerned with the assessment, collection or recovery of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, taxes of that Party, or the oversight of the above. Only the persons or authorities mentioned above may use the information and then only for such purposes. They may, notwithstanding the provisions of paragraph 1, disclose it in public court proceedings or in judicial decisions relating to such taxes.

- 3 If a Party has made a reservation provided for in subparagraph a. of paragraph 1 of Article 30, any other Party obtaining information from that Party shall not use it for the purpose of a tax in a category subject to the reservation. Similarly, the Party making such a reservation shall not use information obtained under this Convention for the purpose of a tax in a category subject to the reservation.
- 4 Notwithstanding the provisions of paragraphs 1, 2 and 3, information received by a Party may be used for other purposes when such information may be used for such other purposes under the laws of the supplying Party and the competent authority of that Party authorises such use. Information provided by a Party to another Party may be transmitted by the latter to a third Party, subject to prior authorisation by the competent authority of the first-mentioned Party.

Article 23 – Proceedings

- 1 Proceedings relating to measures taken under this Convention by the requested State shall be brought only before the appropriate body of that State.
- 2 Proceedings relating to measures taken under this Convention by the applicant State, in particular those which, in the field of recovery, concern the existence or the amount of the tax claim or the instrument permitting its enforcement, shall be brought only before the appropriate body of that State. If such proceedings are brought, the applicant State shall inform the requested State which shall suspend the procedure pending the decision of the body in question. However, the requested State shall, if asked by the applicant State, take measures of

conservancy to safeguard recovery. The requested State can also be informed of such proceedings by any interested person. Upon receipt of such information the requested State shall consult on the matter, if necessary, with the applicant State.

- 3 As soon as a final decision in the proceedings has been given, the requested State or the applicant State, as the case may be, shall notify the other State of the decision and the implications which it has for the request for assistance.

Chapter V – Special provisions

Article 24 – Implementation of the Convention

- 1 The Parties shall communicate with each other for the implementation of this Convention through their respective competent authorities. The competent authorities may communicate directly for this purpose and may authorise subordinate authorities to act on their behalf. The competent authorities of two or more Parties may mutually agree on the mode of application of the Convention among themselves.
- 2 Where the requested State considers that the application of this Convention in a particular case would have serious and undesirable consequences, the competent authorities of the requested and of the applicant State shall consult each other and endeavour to resolve the situation by mutual agreement.
- 3 A co-ordinating body composed of representatives of the competent authorities of the Parties shall monitor the implementation and development of this Convention, under

the aegis of the OECD. To that end, the co-ordinating body shall recommend any action likely to further the general aims of the Convention. In particular it shall act as a forum for the study of new methods and procedures to increase international co-operation in tax matters and, where appropriate, it may recommend revisions or amendments to the Convention. States which have signed but not yet ratified, accepted or approved the Convention are entitled to be represented at the meetings of the co-ordinating body as observers.

- 4 A Party may ask the co-ordinating body to furnish opinions on the interpretation of the provisions of the Convention.
- 5 Where difficulties or doubts arise between two or more Parties regarding the implementation or interpretation of the Convention, the competent authorities of those Parties shall endeavour to resolve the matter by mutual agreement. The agreement shall be communicated to the co-ordinating body.
- 6 The Secretary General of OECD shall inform the Parties, and the Signatory States which have not yet ratified, accepted or approved the Convention, of opinions furnished by the co-ordinating body according to the provisions of paragraph 4 above and of mutual agreements reached under paragraph 5 above.

Article 25 – Language

Requests for assistance and answers thereto shall be drawn up in one of the official languages of the OECD and of the Council of Europe or in any other language agreed bilaterally between the Contracting States concerned.

Article 26 – Costs

Unless otherwise agreed bilaterally by the Parties concerned:

- a ordinary costs incurred in providing assistance shall be borne by the requested State;
- b extraordinary costs incurred in providing assistance shall be borne by the applicant State.

Chapter VI – Final provisions

Article 27 – Other international agreements or arrangements

- 1 The possibilities of assistance provided by this Convention do not limit, nor are they limited by, those contained in existing or future international agreements or other arrangements between the Parties concerned or other instruments which relate to co-operation in tax matters.
- 2 Notwithstanding paragraph 1, those Parties which are member States of the European Union can apply, in their mutual relations, the possibilities of assistance provided for by the Convention in so far as they allow a wider co-operation than the possibilities offered by the applicable European Union rules.

Article 28 – Signature and entry into force of the Convention

- 1 This Convention shall be open for signature by the member States of the Council of Europe and the member countries of OECD. It is subject to ratification, acceptance or approval. Instruments of ratification, acceptance or approval shall be deposited with one of the Depositaries.
- 2 This Convention shall enter into force on the first day of the month following the expiration of a period of three months after the date on which five States have expressed their consent to be bound by the Convention in accordance with the provisions of paragraph 1.
- 3 In respect of any member State of the Council of Europe or any member country of OECD which subsequently expresses its consent to be bound by it, the Convention shall enter into force on the first day of the month following the expiration of a period of three months after the date of the deposit of the instrument of ratification, acceptance or approval.
- 4 Any member State of the Council of Europe or any member country of OECD which becomes a Party to the Convention after the entry into force of the Protocol amending this Convention, opened for signature on 27th May 2010 (the “2010 Protocol”), shall be a Party to the Convention as amended by that Protocol, unless they express a different intention in a written communication to one of the Depositaries.
- 5 After the entry into force of the 2010 Protocol, any State which is not a member of the Council of Europe or of the OECD may request to be invited to sign and ratify this Convention as amended by the 2010 Protocol. Any request to this effect shall be addressed to one of the Depositaries, who

shall transmit it to the Parties. The Depositary shall also inform the Committee of Ministers of the Council of Europe and the OECD Council. The decision to invite States which so request to become Party to this Convention shall be taken by consensus by the Parties to the Convention through the coordinating body. In respect of any State ratifying the Convention as amended by the 2010 Protocol in accordance with this paragraph, this Convention shall enter into force on the first day of the month following the expiration of a period of three months after the date of deposit of the instrument of ratification with one of the Depositaries.

- 6 The provisions of this Convention, as amended by the 2010 Protocol, shall have effect for administrative assistance related to taxable periods beginning on or after 1 January of the year following the one in which the Convention, as amended by the 2010 Protocol, entered into force in respect of a Party, or where there is no taxable period, for administrative assistance related to charges to tax arising on or after 1 January of the year following the one in which the Convention, as amended by the 2010 Protocol, entered into force in respect of a Party. Any two or more Parties may mutually agree that the Convention, as amended by the 2010 Protocol, shall have effect for administrative assistance related to earlier taxable periods or charges to tax.
- 7 Notwithstanding paragraph 6, for tax matters involving intentional conduct which is liable to prosecution under the criminal laws of the applicant Party, the provisions of this Convention, as amended by the 2010 Protocol, shall have effect from the date of entry into force in respect of a Party in relation to earlier taxable periods or charges to tax.

Article 29 – Territorial application of the Convention

- 1 Each State may, at the time of signature, or when depositing its instrument of ratification, acceptance or approval, specify the territory or territories to which this Convention shall apply.
- 2 Any State may, at any later date, by a declaration addressed to one of the Depositaries, extend the application of this Convention to any other territory specified in the declaration. In respect of such territory the Convention shall enter into force on the first day of the month following the expiration of a period of three months after the date of receipt of such declaration by the Depositary.
- 3 Any declaration made under either of the two preceding paragraphs may, in respect of any territory specified in such declaration, be withdrawn by a notification addressed to one of the Depositaries. The withdrawal shall become effective on the first day of the month following the expiration of a period of three months after the date of receipt of such notification by the Depositary.

Article 30 – Reservations

- 1 Any State may, at the time of signature or when depositing its instrument of ratification, acceptance or approval or at any later date, declare that it reserves the right:
 - a not to provide any form of assistance in relation to the taxes of other Parties in any of the categories listed in sub-paragraph b. of paragraph 1 of Article 2, provided

- that it has not included any domestic tax in that category under Annex A of the Convention;
- b not to provide assistance in the recovery of any tax claim, or in the recovery of an administrative fine, for all taxes or only for taxes in one or more of the categories listed in paragraph 1 of Article 2;
 - c not to provide assistance in respect of any tax claim, which is in existence at the date of entry into force of the Convention in respect of that State or, where a reservation has previously been made under subparagraph a. or b. above, at the date of withdrawal of such a reservation in relation to taxes in the category in question;
 - d not to provide assistance in the service of documents for all taxes or only for taxes in one or more of the categories listed in paragraph 1 of Article 2;
 - e not to permit the service of documents through the post as provided for in paragraph 3 of Article 17;
 - f to apply paragraph 7 of Article 28 exclusively for administrative assistance related to taxable periods beginning on or after 1 January of the third year preceding the one in which the Convention, as amended by the 2010 Protocol, entered into force in respect of a Party, or where there is no taxable period, for administrative assistance related to charges to tax arising on or after 1 January of the third year preceding the one in which the Convention, as amended by the 2010 Protocol, entered into force in respect of a Party.

- 2 No other reservation may be made.
- 3 After the entry into force of the Convention in respect of a Party, that Party may make one or more of the reservations listed in paragraph 1 which it did not make at the time of ratification, acceptance or approval. Such reservations shall enter into force on the first day of the month following the expiration of a period of three months after the date of receipt of the reservation by one of the Depositaries.
- 4 Any Party which has made a reservation under paragraphs 1 and 3 may wholly or partly withdraw it by means of a notification addressed to one of the Depositaries. The withdrawal shall take effect on the date of receipt of such notification by the Depositary in question.
- 5 A Party which has made a reservation in respect of a provision of this Convention may not require the application of that provision by any other Party; it may, however, if its reservation is partial, require the application of that provision insofar as it has itself accepted it.

Article 31 – Denunciation

- 1 Any Party may, at any time, denounce this Convention by means of a notification addressed to one of the Depositaries.
- 2 Such denunciation shall become effective on the first day of the month following the expiration of a period of three months after the date of receipt of the notification by the Depositary.

- 3 Any Party which denounces the Convention shall remain bound by the provisions of Article 22 for as long as it retains in its possession any documents or information obtained under the Convention.

Article 32 – Depositaries and their functions

- 1 The Depositary with whom an act, notification or communication has been accomplished, shall notify the member States of the Council of Europe and the member countries of OECD and any Party to this Convention of:
 - a any signature;
 - b the deposit of any instrument of ratification, acceptance or approval;
 - c any date of entry into force of this Convention in accordance with the provisions of Articles 28 and 29;
 - d any declaration made in pursuance of the provisions of paragraph 3 of Article 4 or paragraph 3 of Article 9 and the withdrawal of any such declaration;
 - e any reservation made in pursuance of the provisions of Article 30 and the withdrawal of any reservation effected in pursuance of the provisions of paragraph 4 of Article 30;
 - f any notification received in pursuance of the provisions of paragraph 3 or 4 of Article 2, paragraph 3 of Article 3, Article 29 or paragraph 1 of Article 31;

- g any other act, notification or communication relating to this Convention.
- 2 The Depositary receiving a communication or making a notification in pursuance of the provisions of paragraph 1 shall inform immediately the other Depositary thereof.

In witness whereof the undersigned, being duly authorised thereto, have signed the Convention.

Established by the Depositaries the 1st day of June 2011 pursuant to Article X.4 of the Protocol amending the Convention on Mutual Administrative Assistance in Tax Matters, in English and French, both texts being equally authentic, in two copies of which one shall be deposited in the archives of each Depositary. The Depositaries shall transmit a certified copy to each Party to the Convention as amended by the Protocol and to each State entitled to become a party.

Schedule 2

[s. 3(3)]

Declarations and Reservations Made by the Central People's Government of the People's Republic of China (PRC) that Apply to Hong Kong

In accordance with the *Basic Law of the Hong Kong Special Administrative Region of the PRC*, the Government of the PRC decides that the Convention applies to the Hong Kong Special Administrative Region (*Hong Kong SAR*) of the PRC and declares that:

1. The three Reservations pursuant to paragraphs 1.b, 1.d and 1.e of Article 30 of the Convention made by the PRC shall apply to the Hong Kong SAR.
2. The Reservation pursuant to paragraph 1.a of Article 30 and the three Declarations pursuant to paragraph 1 of Article 2, paragraph 1.d of Article 3 and paragraph 3 of Article 4 of the Convention made by the PRC shall not apply to the Hong Kong SAR.
3. Pursuant to paragraph 1.a of Article 30 of the Convention, the Hong Kong SAR shall not provide any form of assistance in relation to the taxes of other Parties described in paragraph 1.b of Article 2 of the Convention.
4. Pursuant to paragraph 1.c of Article 30 of the Convention, the Hong Kong SAR shall not provide assistance in respect of any tax claim, which is in existence at the date of entry into force of the

Convention in respect of the Hong Kong SAR or, where a reservation has previously been made under paragraph 1.a or 1.b of Article 30 of the Convention, at the date of withdrawal of such a reservation in relation to taxes in the category in question.

5. Pursuant to paragraph 1.f of Article 30 of the Convention, the Hong Kong SAR shall apply paragraph 7 of Article 28 of the Convention exclusively for administrative assistance related to taxable periods beginning on or after 1 January of the third year preceding the one in which the Convention entered into force in respect of the Hong Kong SAR, or where there is no taxable period, for administrative assistance related to charges to tax arising on or after 1 January of the third year preceding the one in which the Convention entered into force in respect of the Hong Kong SAR.
6. Pursuant to paragraph 1 of Article 2 of the Convention, for the Hong Kong SAR, the Convention shall apply to the following taxes imposed under the laws of the Hong Kong SAR administered by its tax authority:

Paragraph 1.a.i of Article 2:
 - Profits Tax;
 - Salaries Tax; and
 - Property Tax.
7. Pursuant to paragraph 1.d of Article 3 of the Convention, the competent authority of the Hong Kong SAR is the Commissioner of Inland Revenue of the Government of the Hong Kong SAR or the authorised representative of the Commissioner.
8. For the application of the Convention to the Hong Kong SAR, paragraph 1.e of Article 3 of the Convention refers to any person

having the right of abode, or is incorporated or otherwise constituted in the Hong Kong SAR.

9. Pursuant to paragraph 3 of Article 4 of the Convention, the Hong Kong SAR may inform its resident or national before transmitting information concerning that resident or national to another Party, in conformity with Article 5 of the Convention.
10. Pursuant to paragraph 3 of Article 9 of the Convention, the Hong Kong SAR will not accept, as a general rule, such requests as are referred to in paragraph 1 of Article 9 of the Convention.

Schedule 3

[s. 3(4)]

Declaration on the Effective Date for Exchanges of Information under the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information

Considering that the Hong Kong Special Administrative Region of the People's Republic of China (hereafter "the Hong Kong SAR") has committed to automatically exchange information in 2018 and that, in order to be able to automatically exchange information under Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters as amended by the Protocol amending the Convention on Mutual Administrative Assistance in Tax Matters (hereafter the "amended Convention"), the Hong Kong SAR has signed a Declaration on joining the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information (hereafter the "CRS MCAA") on March 20, 2018;

Considering that, pursuant to its Article 28(6), the amended Convention shall have effect for administrative assistance related to taxable periods beginning on or after 1 January of the year following the one in which the amended Convention entered into force in respect of a Party, or where there is no taxable period, for administrative assistance related to charges to tax arising on or after 1 January of the year following the one in which the amended Convention entered into force in respect of a Party;

Considering that Article 28(6) of the amended Convention provides that any two or more Parties may mutually agree that the amended Convention shall have effect for administrative assistance related to earlier taxable periods or charges to tax;

Mindful that information may only be sent by a jurisdiction under the amended Convention with respect to taxable periods or charges to tax of the receiving jurisdiction for which the amended Convention is in effect and that, as a consequence, sending jurisdictions for which the Convention has newly entered into force in a given year are only in a position to provide administrative assistance to receiving jurisdictions for taxable periods beginning or charges to tax arising on or after 1 January of the following year;

Acknowledging that an existing Party to the amended Convention would be able to receive information under Article 6 of the amended Convention and the CRS MCAA from a new Party with respect to earlier taxable periods or charges to tax than the date foreseen in the amended Convention if both Parties declare to agree that another date of effect is applicable;

Further acknowledging that, therefore, a new Party to the amended Convention would be able to send information under Article 6 of the amended Convention and the CRS MCAA to an existing Party with respect to earlier taxable periods or charges to tax than the date foreseen in the amended Convention, if both Parties declare to agree that another date of effect is applicable;

Recognising that the information received under Article 6 of the amended Convention and the CRS MCAA may lead to follow-up requests by the receiving jurisdiction to the sending jurisdiction, which would relate to the same reporting period for which the sending jurisdiction has automatically exchanged information under the CRS MCAA;

Confirming that the capacity of a jurisdiction to send CRS-related information under Article 6 of the amended Convention and the CRS MCAA, as well as information relating to follow-up requests pursuant to Article 5 of the amended Convention, shall be governed by the terms of the CRS MCAA, including the relevant reporting periods of the sending jurisdiction contained therein, irrespective of the taxable periods or charges to tax of the receiving jurisdiction to which such information relates;

The People's Republic of China declares that the amended Convention shall have effect in accordance with the terms of the CRS MCAA for administrative assistance under the CRS MCAA between the Hong Kong SAR and the other Parties to the amended Convention that have made similar declarations, irrespective of the taxable periods or charges to tax to which such information relates in the receiving jurisdiction.

The People's Republic of China declares that the amended Convention shall also have effect for administrative assistance under its Article 5, between the Hong Kong SAR and the other Parties to the amended Convention that have made similar declarations, irrespective of the taxable periods or charges to tax to which such information relates in the receiving jurisdiction, when such assistance concerns follow-up requests related to information exchanged under the CRS MCAA with respect to reporting periods of the sending jurisdiction covered by the CRS MCAA.

Clerk to the Executive Council

COUNCIL CHAMBER

2018

Explanatory Note

Under section 49(1A) of the Inland Revenue Ordinance (Cap. 112) (*IRO*), if the Chief Executive in Council by order declares that arrangements specified in the order have been made with the government of any territory outside Hong Kong for certain purposes, and that it is expedient that those arrangements should have effect, those arrangements shall have effect.

2. Arrangements that may be specified in an order under section 49(1A) of the IRO include arrangements that are made by the Central People's Government and applied to Hong Kong.
3. The Convention on Mutual Administrative Assistance in Tax Matters was done at Strasbourg on 25 January 1988, as amended by the Protocol amending the Convention done at Paris on 27 May 2010 (*Convention*). Under the Convention, the parties to the Convention are to provide administrative assistance to each other in tax matters, comprising the exchange of information, assistance in the recovery of tax claims and service of documents (see Article 1 of the Convention).
4. On 27 August 2013, the Central People's Government signed the Convention.
5. On 29 May 2018, the Central People's Government, by a declaration made under paragraph 2 of Article 29 of the Convention, extended the application of the Convention to Hong Kong, together with a list of declarations and reservations made under the Convention that applies to Hong Kong. In respect of Hong Kong, the Convention enters into force on 1 September 2018.
6. This Order is made by the Chief Executive in Council under section 49(1A) of the IRO to give effect to the arrangements referred to in

paragraph 2 (see section 3 of the Order). The Order comes into operation on the day on which it is published in the Gazette.

7. Section 1 of the Order sets out a defined term.
8. Section 3 of the Order specifies the arrangements referred to in paragraph 2.
9. Schedule 1 to the Order sets out the text of the Convention. In respect of Hong Kong, the content of Annexes A, B and C mentioned in the Convention is respectively set out in paragraphs 6, 7 and 8 of Schedule 2.
10. Schedule 2 to the Order sets out the declarations and reservations made under the Convention by the Central People's Government that apply to Hong Kong. The declarations include the application of the Convention to Hong Kong as well as the types of taxes to which the Convention applies in Hong Kong. The reservations specify the types of assistance that Hong Kong will not provide.
11. Schedule 3 to the Order sets out the declaration made on 25 June 2018 by the Central People's Government under paragraph 6 of Article 28 of the Convention. The effect is that Hong Kong and other parties to the Convention that have made similar declarations agree to provide administrative assistance under Article 6 of the Convention in relation to automatic exchange of financial account information and under Article 5 of the Convention in relation to follow-up requests related to financial account information exchanged for taxable periods earlier than the date on which the Convention comes into effect between Hong Kong and the relevant parties.

Annex B

Jurisdictions participating in the Convention on Mutual Administrative Assistance in Tax Matters (as at 2 July 2018)

- | | | |
|----------------------------------|----------------------|---------------------------------------|
| 1. Albania | 41. Georgia | 83. Nauru |
| 2. Andorra | 42. Germany | 84. Netherlands |
| 3. Anguilla # | 43. Ghana | 85. New Zealand |
| 4. Argentina | 44. Gibraltar # | 86. Nigeria |
| 5. Armenia | 45. Greece | 87. Niue |
| 6. Aruba # | 46. Greenland # | 88. Norway |
| 7. Australia | 47. Grenada | 89. Pakistan |
| 8. Austria | 48. Guatemala | 90. Panama |
| 9. Azerbaijan | 49. Guernsey # | 91. Paraguay |
| 10. Bahamas | 50. Hong Kong # | 92. Peru |
| 11. Bahrain | 51. Hungary | 93. Philippines |
| 12. Barbados | 52. Iceland | 94. Poland |
| 13. Belgium | 53. India | 95. Portugal |
| 14. Belize | 54. Indonesia | 96. Qatar |
| 15. Bermuda # | 55. Ireland | 97. Romania |
| 16. Brazil | 56. Isle of Man # | 98. Russia |
| 17. British Virgin Islands # | 57. Israel | 99. Saint Kitts and Nevis |
| 18. Brunei Darussalam | 58. Italy | 100. Saint Lucia |
| 19. Bulgaria | 59. Jamaica | 101. Saint Vincent and the Grenadines |
| 20. Burkina Faso | 60. Japan | 102. Samoa |
| 21. Cameroon | 61. Jersey # | 103. San Marino |
| 22. Canada | 62. Kazakhstan | 104. Saudi Arabia |
| 23. Cayman Islands # | 63. Kenya | 105. Senegal |
| 24. Chile | 64. Korea | 106. Seychelles |
| 25. China (People's Republic of) | 65. Kuwait | 107. Singapore |
| 26. Colombia | 66. Latvia | 108. Sint Maarten # |
| 27. Cook Islands | 67. Lebanon | 109. Slovak Republic |
| 28. Costa Rica | 68. Liberia | 110. Slovenia |
| 29. Croatia | 69. Liechtenstein | 111. South Africa |
| 30. Curacao # | 70. Lithuania | 112. Spain |
| 31. Cyprus | 71. Luxembourg | 113. Sweden |
| 32. Czech Republic | 72. Macau # | 114. Switzerland |
| 33. Denmark | 73. Macedonia | 115. Tunisia |
| 34. Dominican Republic | 74. Malaysia | 116. Turkey |
| 35. El Salvador | 75. Malta | 117. Turks and Caicos Islands # |
| 36. Estonia | 76. Marshall Islands | 118. Uganda |
| 37. Faroe Islands # | 77. Mauritius | 119. Ukraine |
| 38. Finland | 78. Mexico | 120. United Arab Emirates |
| 39. France | 79. Moldova | 121. United Kingdom |
| 40. Gabon | 80. Monaco | 122. United States |
| | 81. Montserrat # | 123. Uruguay |
| | 82. Morocco | 124. Vanuatu |

By territorial extension

**List of Reservations and Declarations
under the Convention on
Mutual Administrative Assistance in Tax Matters
Made by the Central People’s Government in respect of Hong Kong**

Reservations/Declarations	Purpose*
1. In accordance with the Basic Law of the Hong Kong Special Administrative Region of the People’s Republic of China (“PRC”), the Government of the PRC decides that, pursuant to paragraph 2 of Article 29, the Convention applies to the Hong Kong Special Administrative Region (“Hong Kong SAR”) of the PRC.	To declare that the Convention shall apply to Hong Kong.
2. The three Reservations pursuant to paragraphs 1.b, 1.d and 1.e of Article 30 of the Convention made by the PRC shall apply to the Hong Kong SAR.	To reserve that Hong Kong will not assist in (a) recovery of tax claim/fine; (b) service of documents; and (c) service of documents through post under the Convention.
3. The Reservation pursuant to paragraph 1.a of Article 30 and the three Declarations pursuant to paragraph 1 of Article 2, paragraph 1.d of Article 3 and paragraph 3 of Article 4 of the Convention made by the PRC shall not apply to the Hong Kong SAR.	To provide that the relevant reservation and declarations made by the Central People’s Government are not applicable to Hong Kong.
4. Pursuant to paragraph 1.a of Article 30 of the Convention, the Hong Kong SAR shall not provide any form of assistance in relation to the taxes of other Parties described in paragraph 1.b of Article 2 of the Convention.	To reserve that Hong Kong will only provide assistance to the minimum tax types (i.e. paragraph 1.a of Article 2) under the Convention.

Reservations/Declarations

5. Pursuant to paragraph 1.c of Article 30 of the Convention, the Hong Kong SAR shall not provide assistance in respect of any tax claim, which is in existence at the date of entry into force of the Convention in respect of the Hong Kong SAR or, where a reservation has previously been made under paragraph 1.a or 1.b of Article 30 of the Convention, at the date of withdrawal of such a reservation in relation to taxes in the category in question.
6. Pursuant to paragraph 1.f of Article 30 of the Convention, the Hong Kong SAR shall apply paragraph 7 of Article 28 of the Convention exclusively for administrative assistance related to taxable periods beginning on or after 1 January of the third year preceding the one in which the Convention entered into force in respect of the Hong Kong SAR, or where there is no taxable period, for administrative assistance related to charges to tax arising on or after 1 January of the third year preceding the one in which the Convention entered into force in respect of the Hong Kong SAR.
7. Pursuant to paragraph 1 of Article 2 of the Convention, for the Hong Kong SAR, the Convention shall apply to the following taxes imposed under the laws of the Hong Kong SAR administered by its tax authority:

Paragraph 1.a.i of Article 2:

- *Profits Tax;*
- *Salaries Tax; and*
- *Property Tax.*

Purpose*

To reserve that Hong Kong will not assist in tax claim that is in existence at the date on which the Convention enters into force in Hong Kong or at the date on which the reservation(s) in paragraph 2 or 4 above is withdrawn.

To reserve that for tax matters involving intentional conduct which is liable to prosecution under the criminal laws of the requesting Party, Hong Kong reserves the right not to provide any assistance to charges to tax before 1 January of the third year preceding the year in which the Convention enters into force in Hong Kong (*i.e. before 1 January 2015 on the basis that the Convention enters into force in Hong Kong in 2018*).

To declare the types of taxes to which the Convention applies in Hong Kong.

Reservations/Declarations

Purpose*

- | | |
|--|--|
| 8. Pursuant to paragraph 1.d of Article 3 of the Convention, the competent authority of the Hong Kong SAR is the Commissioner of Inland Revenue of the Government of the Hong Kong SAR or the Commissioner's authorised representative. | To declare the definition of competent authority in Hong Kong. |
| 9. For the application of the Convention to the Hong Kong SAR, paragraph 1.e of Article 3 of the Convention refers to any person having the right of abode, or is incorporated or otherwise constituted in the Hong Kong SAR. | To declare the definition of "national" in Hong Kong, in accordance with the formulation usually adopted in our CDTAs. |
| 10. Pursuant to paragraph 3 of Article 4 of the Convention, the Hong Kong SAR may inform its resident or national before transmitting information concerning that resident or national to another Party, in conformity with Article 5 of the Convention. | To declare that Hong Kong may inform its resident or national before the information concerning that resident or national is transmitted to another Party when handling exchange of information on request under the Convention. |
| 11. Pursuant to paragraph 3 of Article 9 of the Convention, the Hong Kong SAR will not accept, as a general rule, such requests as are referred to in paragraph 1 of Article 9 of the Convention. | To declare that Hong Kong would generally not accept requests for tax examinations abroad. |

* For reference only and not forming part of the reservation and declarations under the Convention or the Order.

**Economic, Financial and Civil Service
Implications of the Proposal**

Economic Implications

The proposal will demonstrate Hong Kong's commitment to enhancing its tax transparency and participating in international tax co-operation. This is particularly crucial for Hong Kong to preserve its competitiveness and reputation as an international financial and business centre, and to avoid being listed as a "non-cooperative" tax jurisdiction by the OECD and/or the EU.

Financial and Civil Service Implications

2. Additional resources have been provided to the Financial Services and the Treasury Bureau and the Inland Revenue Department in 2017-18 and beyond to cope with treaty negotiations, stakeholders' engagement, legislative exercises and implementation work arising from reinforced international tax co-operation.