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Paper for the House Committee meeting on 23 October 2026

Report of the Bills Committee on Inland Revenue (Amendment) (Crypto-Asset Reporting Framework and Amended Common Reporting Standard) Bill 2026

Purpose

This paper reports on the deliberations of the Bills Committee on Inland Revenue (Amendment) (Crypto-Asset Reporting Framework and Amended Common Reporting Standard) Bill 2026 ("the Bills Committee").

Background

2. Under the Common Reporting Standard ("CRS"),[1] reporting financial institutions in Hong Kong are required to collect relevant financial account information on tax residents of jurisdictions with which Hong Kong will conduct automatic exchange of information in tax matters ("AEOI"), and furnish returns on such information to the Inland Revenue Department ("IRD") for its exchange with partner jurisdictions to combat cross-border tax evasion. The Organisation for Economic Co-operation and Development ("OECD") has completed the first comprehensive review of CRS in 2023 and has amended it to in particular cover digital financial products. Furthermore, OECD issued the Crypto-Asset Reporting Framework ("CARF") aiming to require participating tax jurisdictions to automatically exchange information on crypto-asset transactions with the taxpayer's jurisdiction of residence in a standardized manner. The 2025 Policy Address and the 2026-2027 Budget announced that the Government **would amend the Inland Revenue Ordinance (Cap. 112) to implement CARF and the amended CRS, thereby enhancing enhance international tax transparency and combat cross-border tax evasion.**

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[1] CRS was developed by OECD in 2014 and incorporated into Part 8A of the Inland Revenue Ordinance (Cap. 112) in 2016.

Inland Revenue (Amendment) (Crypto-Asset Reporting Framework and Amended Common Reporting Standard) Bill 2026

3. The Inland Revenue (Amendment) (Crypto-Asset Reporting Framework and Amended Common Reporting Standard) Bill 2026 ("the Bill") was published in the Gazette on 22 May 2026 and received its First Reading at the Legislative Council ("LegCo") meeting of 3 June. The Bill seeks to amend the Inland Revenue Ordinance to:

(a) implement CARF, and the amendments to CRS, developed by OECD for enhancing international tax transparency and combating cross-border tax evasion; and

(b) provide for related matters and technical amendments.

4. The Bill, if passed, would come into operation on the day on which it is published in the Gazette as an Ordinance, except for:

Relevant parts of the Bill	Specific provisions	Commencement
Part 2[2]	Provisions relating to CARF	1 January 2027
Part 3[3]	Provisions relating to the amended CRS	1 January 2028

Bills Committee

5. At its meeting on 5 June 2026, the House Committee agreed to form a Bills Committee to scrutinize the Bill. **Dr Hon Johnny NG Kit-chong and Hon Andrew FAN Chun-wah served as the Chairman and Deputy Chairman of the Bills Committee respectively**. The membership list of the Bills Committee is in **Appendix 1**.

6. The Bills Committee has held four meetings with the Administration. The Bills Committee has also invited written submissions from the public on the Bill and received a total of four written submissions. The Administration's consolidated response to the written submissions is in LC Paper No CB(1)882/2026(01).

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[2] That is Division 1 of Part 2 of the proposed amendments.

[3] That is Division 2 of Part 2 of the proposed amendments

Deliberations of the Bills Committee

Definition of crypto-assets

7. Under CARF, **crypto-asset** refers to a digital representation of value that relies on a cryptographically secured distributed ledger or a similar technology to validate and secure transactions. It represents a right to value, which can be traded or transferred in a digital manner, including both fungible and non-fungible tokens. All crypto-assets, except central bank digital currencies ("CBDCs"), specified electronic money products ("SEMPs")[4] and crypto-assets which reporting crypto-asset service providers ("RCASPs") have adequately determined cannot be used for payment or investment purposes, fall within the scope of CARF (i.e. "relevant crypto-assets"). In this regard, members have requested the Administration to clarify whether **airline frequent flyer miles** or **supermarket group loyalty points,** which are in digital representation and encrypted using the aforementioned technology, fall within the definition of "relevant crypto-assets".

8. The Administration has advised that certain crypto-assets cannot be used for payment or investment purposes under any circumstances. OECD also notes in its examples that, while some air miles or loyalty points may be redeemed for gifts, they would not be regarded as usable for payment or investment purposes if they can only be used within a closed system. For example, if they are restricted to a particular airline or its affiliates and cannot be used in other systems, sold on the secondary market or converted into cash, they would not be considered relevant crypto-assets, even if they meet the definition of a crypto-asset.

Exclusion of certain SEMPs

9. Members note that under the amended CRS, the definitions of "depository institution" and "depository account" are expanded to respectively include entities that hold **SEMPs** (as defined in the proposed amended section 50A(l)) and accounts that represent SEMPs held for the benefit of customers respectively. Under the proposed section 50A(16AAB)(a), **those products created solely to facilitate a transfer of funds pursuant to instructions of a**

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[4] CBDCs and SEMPs will be covered by the amended CRS. CBDC refers to any digital fiat currency issued by a central bank. SEMP refers to any product that is: (a) a digital representation of a single fiat currency; (b) issued on receipt of funds for the purpose of making payment transactions; (c) represented by a claim on the issuer denominated in the same fiat currency; (d) accepted in payment by a natural or legal person other than the issuer; and (e) by virtue of regulatory requirements to which the issuer is subject, redeemable at any time and at par value for the same fiat currency upon request of the holder of the product (see the proposed new section 50M(1)). See also paragraph 15(a) of LC Paper No. TsyB R2 00/800-3/6/0 (C) for details.

customer are excluded from the definition of SEMPs. Members also note that the proposed section 50A(l6AAB)(b) further clarifies that a product is not created for the sole purpose of facilitating the transfer of funds if, in the ordinary course of business of the transferring entity, either the funds connected with such product are held longer than 60 days after receipt of instructions to facilitate the transfer, or, if no instructions are received, the funds connected with such product are held longer than 60 days after receipt of the funds. In this regard, members have requested the Administration to illustrate the above provisions using the example of **an employer transferring a particular electronic money product to an employee to pay their wages**, in order to clarify whether that electronic money product may be excluded from the definition of SEMPs.

10. The Administration has advised that, **the "exclusion" example** provided in the commentaries published by OECD **includes products that may be used to enable an employer to transfer monthly wages to its employees** or to enable a migrant worker to transfer funds to families living in another country. Using the employer-employee example, assuming the employer, on 2 January 2028, deposits a product meeting the definition of SEMP into an account and plans to submit instructions to pay wages to all employees on 7 January 2028. If the employer distributes wages as planned on 7 January 2028, the funds connected with the product would be **held** for five days (i.e. **within the 60-day limit**). As such, **the product would not fall within the scope of the definition of a SEMP** by virtue of the proposed section 50A(16AAB)(a). However, if the employer deposits the product into the account but **gives instructions to hold it for longer than 60 days, or** provides no payment instructions but **holds the product for longer than 60 days after the deposit**, by virtue of the proposed section 50A(16AAB)(b), the product **would not be regarded as created solely to facilitate a transfer of funds** and would not fall within the exclusion under the proposed section 50A(l6AAB)(a). **Therefore, the product meets the definition of a SEMP**.

Nexus criteria under CARF

11. CARF sets out the **nexus criteria for determining whether an RCASP is subject to the due diligence and reporting requirements** in an implementing jurisdiction. The Administration has explained that **these criteria** (**in order of high to low nexus**) include whether the RCASP is:

(a) an individual or entity tax resident in the jurisdiction;[5]

(b) an entity being incorporated in or organized under the laws of the jurisdiction, and either having legal personality in the jurisdiction, or having an obligation to file tax returns to the tax authority in the jurisdiction;

(c) an entity being managed from the jurisdiction; or

(d) an individual or entity having a regular place of business in the jurisdiction.

12. To facilitate public understanding, members have requested the Administration to illustrate, using examples of different scenarios, **on the application of the above nexus criteria to determine whether an RCASP is subject to Hong Kong's reporting and due diligence requirements**. In this regard, the Administration has replied as follows:

Illustrative examples of nexus criteria	Whether an RCASP is subject to Hong Kong's reporting and due diligence requirements
Example 1 (Different nexus) RCASP A ("A") has nexus with Hong Kong and Jurisdiction X, both of which have implemented CARP.	A is incorporated in Jurisdiction X, and normally managed in Hong Kong. A is regarded as a tax resident in Hong Kong under the proposed definition. Since A has a higher nexus in Hong Kong (i.e. tax residence being the highest nexus), A is only subject to the due diligence and reporting requirements in Hong Kong, and is not required to complete the relevant requirements in Jurisdiction X. If A has a branch in Jurisdiction X, it is only subject to the due diligence and reporting requirements with respect to the relevant transactions effectuated through a branch in Jurisdiction X and is not required to fulfil the relevant requirements in Hong Kong.

[5] The Administration proposes providing that an RCASP is a tax resident of Hong Kong if: (a) for an individual – the individual ordinarily resides in Hong Kong, or stays in Hong Kong for a period or a number of periods amounting to more than 180 days during a year of assessment; or for a period or a number of periods amounting to more than 300 days in two consecutive years of assessment, one of which is the relevant year of assessment; (b) for a company – incorporated in Hong Kong or, if incorporated outside Hong Kong, normally managed or controlled in Hong Kong; (c) for an entity other than a company – constituted under the laws of Hong Kong or, if otherwise constituted, normally managed or controlled in Hong Kong (see proposed new section 50N(10)).

Illustrative examples of nexus criteria	Whether an RCASP is subject to Hong Kong's reporting and due diligence requirements
Example 2 (Same nexus) RCASP B ("B") has the same nexus with Hong Kong and Jurisdiction X, as it is tax resident in both jurisdiction.	B can report its CARP information in either jurisdiction, provided that it submits a notification in the jurisdiction where it does not report, confirming that the due diligence and reporting requirements have been completed in another jurisdiction. If B chooses to report in Jurisdiction X, it must notify Hong Kong, through a return filed to IRD, confirming that the relevant reporting requirements are completed in Jurisdiction X.
Example 3 (Branch in Hong Kong) RCASP C ("C") has a branch in Hong Kong and is a tax resident in Jurisdiction X.	Since C has a branch in Hong Kong, C must complete the due diligence and reporting requirements in Hong Kong with respect to all relevant transactions effectuated by C through the branch in Hong Kong. C is not required to complete the relevant requirements in Jurisdiction X with respect to the same CARP information.

13. The Administration has further explained that an RCASP may have nexuses with more than one jurisdiction and be subject to their due diligence and reporting requirements. **To avoid duplicate reporting, the above hierarchy of the nexus criteria provides guidance for determining the jurisdiction for which an RCASP has due diligence and reporting obligations**. An RCASP is· not required to complete the due diligence and reporting requirements in a jurisdiction with which it has nexus, if such requirements are completed in a partner jurisdiction with a higher nexus or a substantially similar nexus (if elected by the RCASP).

Assisting individuals or entities in self-assessing whether they meet the nexus criteria

14. Members note the "flowchart" currently provided by IRD on its website to assist stakeholders in determining whether an individual or entity is an RCASP under CARF. Members have suggested that IRD should **provide a "user-friendly" interactive tool on its website,** so that, after the passage of the Bill, it may assist individuals or entities in making a preliminary assessment as to whether they are required to report in accordance with the requirements set out in the Bill. Members have asked IRD whether it has already begun to consider developing such an assessment tool, and if so, to provide the specific details.

15. The Administration has advised that, to further assist stakeholders, IRD plans to introduce a **self-assessment tool** to replace the above flowchart after the passage of the Bill. Building on the main features of the flowchart,

the tool will provide additional functionalities **to assist individuals and entities in initially assessing whether they have a nexus with Hong Kong** and are hence subject to the **registration, due diligence and reporting obligations** under the Bill. With informative guidance and explanatory notes, the tool will guide users step-by-step through an assessment of whether they meet any of the nexus criteria under the proposed section 50N(l) and (2). Users will be reminded that the outcome of the self-assessment is for reference only and they should seek professional advice when necessary.

Obligation to submit a return where no relevant transaction has been effectuated

16. Under the proposed new section 50Q(4)(b)(iii) of the Inland Revenue Ordinance, if a Hong Kong reporting crypto-asset service provider ("HKRCASP") does not maintain a relationship with a crypto-asset user that is identified as a reportable user or as having a controlling person that is a reportable person, the HKRCASP is only required to furnish a simplified return. Members and the Legal Adviser of the Bills Committee have asked the Administration to clarify **whether the furnishing of simplified return would be applicable to the scenarios where** the HKRCASP **has not executed any relevant transactions** (e.g. an exchange between relevant crypto-assets and fiat currencies).

17. Having regard to the latest clarification from OECD, the Administration has ascertained that an HKRCASP will only be required to file a simplified return, if the HKRCASP has not effectuated any relevant transaction for or on behalf of a crypto-asset user that is identified as a reportable user or as having a controlling person that is a reportable person. In this regard, the Administration will propose an **amendment** providing that, if during the specified information period, an HKRCASP **does not effectuate any relevant transaction** for or on behalf of any crypto-asset user identified as a reportable user, or any crypto-asset user identified as having a controlling person who is a reportable person, it is **only be required to file a nil return**.

Safeguards on confidentiality of the exchanged information and protection of personal data

18. CARF provides for the reporting and automatic exchange of transaction information on crypto-assets in a standardized manner with the jurisdictions of residence of the crypto-asset user and their controlling persons on an annual basis. Given that the information to be exchanged with the jurisdictions of residence of the crypto-asset user that is a reportable user may involve personal data, such as the name, address, jurisdiction of residence, taxpayer identification number, date and place of birth (see the proposed new section 50R of the Inland Revenue Ordinance), the Legal

Adviser has requested the Administration to clarify whether there would be measures in place to **safeguard against misuse or unauthorized disclosure of information, and to ensure the confidentiality of the exchanged information in the receiving partner jurisdiction**.

19. The Administration points out that IRD attaches great importance to the security of the information for exchange among the relevant jurisdictions. The relevant information is duly protected and kept confidential in accordance with the international standards prescribed by OECD, applicable local laws and IRD's internal guidelines. The Multilateral Competent Authority Agreement ("MCAA") on CARF promulgated by OECD provides that **all information exchanged is subject to the confidentiality rules and other safeguards provided for in the Convention on Mutual Administrative Assistance in Tax Matters**. It also provides that, if there is or has been significant non-compliance with the confidentiality and data safeguard provisions of the MCAA by another jurisdiction, a jurisdiction may suspend the exchange of information by giving written notice to that jurisdiction. In addition, all jurisdictions implementing CARF are subject to the confidentiality and data safeguards assessments conducted by OECD. This helps ensure that the relevant safeguards are implemented consistently among all jurisdictions.

Record keeping requirements for specified officers of dissolved HKRCASPs

20. Under the proposed new section 50S(7) of the Inland Revenue Ordinance, if an entity is dissolved and, at any time **during the six years before the dissolution**, it was an HKRCASP, every person **who was a director** of (or, if there was no director, every person who was a trustee of, or who was responsible for the management of) ("specified officer") the HKRCASP **immediately before the dissolution** must ensure, despite the dissolution, the **compliance of the requirement to keep sufficient records** of the information to be reported in a return **until the expiry of a period of six years** immediately after the date by which the return is required to be furnished under the proposed new section 50Q(1) of the Inland Revenue Ordinance. It is proposed to provide that a specified officer would **commit an offence** if the officer, **without reasonable excuse**, **fails to comply with such requirements**.

21. On the other hand, members note that section 758(1) of the Companies Ordinance (Cap. 622) provides for the obligation for persons who were directors of the company immediately before its dissolution to keep records. Section 758(1) of the Companies Ordinance provides that if a company is dissolved under Part 15 of the Companies Ordinance or sections 226A, 227, 239 or 248 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32), every person who was a director of the company immediately before the dissolution must ensure that the company's books and papers are kept for at least six years after the date

of dissolution. Section 758(2) of the Companies Ordinance provides that section 758(1) does not apply to books and papers that are otherwise required to be kept by another person under the Companies Ordinance or any other ordinance. Section 758(4) of the Companies Ordinance provides that in respect of failure to keep records in accordance with section 758(1) of the Companies Ordinance, it is a defence to establish that the relevant person **had reasonable grounds to believe, and did believe that a competent and reliable person was charged with the duty of ensuring that section 758(1) was complied with, and was in a position to discharge that duty**.

22. In view of this, members and the Legal Adviser of the Bills Committee **have recommended** that the Administration to, **with reference made to section 758 of the Companies Ordinance**, **provide for similar exemption and defence** in the Bill. Given the practical difficulties in requiring all specified persons to assume record keeping obligations under the Bill, members have also **recommended** that **one specified officer** (or a third-party custodian e.g. a liquidator, a trust company, or a corporate service provider) **could be appointed by specified persons to assume record keeping obligations**, thus relieving other specified officers of personal liability.

23. The Administration has explained in detail to members **the legislative intent** of the proposed section 50S(7), **which places the responsibility for keeping records on specified officers of HKRCASPs.** The Administration has advised that, according to the CARF Document, RCASPs are required to comply with record keeping requirements, including in instances where the RCASPs are liquidated or have terminated their businesses. However, the CARF Document does not specify who should continue to fulfil the record keeping requirements after the dissolution of the RCASPs. **In order to ensure IRD can access the relevant records during the statutory period, the legislation must clearly specify who is responsible for retaining the records after the dissolution of an HKRCASP**.

24. To this end, in drafting the proposed section 50S, the Administration drew reference from the relevant legislation and arrangements in Hong Kong and relevant overseas jurisdictions. Some jurisdictions (e.g. Jersey and the United Kingdom) simply directly reference the relevant OECD documents in their CARF legislation, thereby being silent as to who is responsible for the record keeping obligations following the dissolution of an entity. The Administration made reference to Ireland, which specifies in its CARF legislation that the liquidator (in the case of wind-up), or the last directors of the company (in the case of dissolution without the appointment of a liquidator), will be required to retain the records for a period of five years from the date from which the company is wound up or dissolved.

25. The Administration has further pointed out that the proposed section 50S(7) was drafted with reference to section 758(1) of the Companies Ordinance. In light of further comments made by some members of the Bills Committee on the Inland Revenue (Amendment) (Automatic Exchange of Information) Bill 2026,[6] the Administration will move an **amendment** to provide that **the exemption and defence under sections 758(2) and (4) of the Companies Ordinance may constitute "reasonable excuse" for the related offence concerning specified officers** in the proposed section 80U.

26. Under the proposed section 50S(7), all specified officers must ensure that the record keeping requirement is complied with despite the dissolution of the HKRCASP. IRD has agreed to members' proposal that specified officers may appoint a third-party custodian to keep the relevant records if needed, but they are not relieved from their record keeping obligations. The Administration will move an **amendment** to allow all specified officers to **designate one specified officer or a person employed in an executive capacity of the dissolved entity**[7] **as the "designated officer"** to fulfil all of the specified officers' obligations under the proposed sections 50S(7)(a), (7)(b), (8) and (12) (i.e. giving notice to IRD on dissolution, record keeping requirements, giving notice to IRD on change of contact details and compliance with an assessor's relevant notice), thereby relieving all specified officers' obligations.

27. To maintain consistency between the respective administrative framework for CARF and CRS, the Administration will also move similar amendments in relation to CRS under the Bill.

Lack of agreement from all specified officers to appoint a designated officer

28. Regarding the Administration's proposed amendment to clause 3 of the Bill (paragraph 26 above), which would add subsection (13) to the proposed new section 50S of the Inland Revenue Ordinance, stipulating that a **"designated officer" must obtain written consent from "all specified officers" of the specified entity for appointment**, members consider that this requirement might give rise to practical difficulties; for example, where a specified officer cannot be contacted, other specified officers would be unable to comply with the requirement.

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6 The relevant bill was passed on 17 June 2026.

7 The Administration will make reference to the definitions of "officer" and "manager" in the Companies Ordinance in defining the meaning of "person employed in an executive capacity".

29. Taking into account members' views, the Administration will move an **amendment** under the proposed section 50S of the Inland Revenue Ordinance **to cater for exceptional circumstances** (e.g. one of the specified officers is untraceable or suffering from severe illness) where there is a **genuine difficulty in obtaining agreement from all specified officers** for designating one of the specified officers or a relevant person who performed managerial functions to fulfil the relevant requirements under proposed subsections (7), (8) and (12) in relation to the implementation of CARF so that the **Commissioner of Inland Revenue will be given the discretion to accept a designation made by a specified officer without the agreement of all specified officers**. A similar amendment will also be proposed under section 50D to cater for similar situations under CRS.

Definition of "dissolution"—proposed section 80U

30. Regarding the dissolution of an entity, members have **suggested** that the Administration consider **adding a definition** of the term "**dissolution**" in the heading of the proposed new section 80U of the Inland Revenue Ordinance in clause 11 of the Bill, so as to precisely define the dates referred to by the phrases "within 6 years before dissolution" and "immediately before dissolution" in the same heading.

31. The Administration has advised that there can be myriad scenarios of dissolution. A dissolved entity may be a corporate entity or non-corporate entity. The dissolved entity may be incorporated or organized under the laws of Hong Kong or other jurisdictions. An entity will be regarded as dissolved if the entity is considered to cease to exist in accordance with the applicable law governing the entity. Given the above, the Administration considers that it is neither necessary nor practical to define the term "dissolution" in the heading of the proposed section 80U. To facilitate the understanding of the industry, IRD will **provide guidance regarding the interpretation of "dissolution" and "within 6 years before dissolution"**.

Exceptional circumstances for temporary lack of a self-certification

32. Members express concern that the proposed section 2A(1) of Part 7 of Schedule 17D to the Inland Revenue Ordinance, which sets out the special due diligence procedure that must be temporarily applied in **exceptional circumstances** where a **self-certification cannot be obtained** and validated by a reporting financial institution ("RFI") **in respect of a new account** to meet its due diligence and reporting obligations in time. Members have requested the Administration to provide examples **illustrating what constitutes "exceptional circumstances"** for the reference of RFIs.

33. The Administration has explained that, according to the commentaries published by OECD, while as a general rule, self-certification must be obtained on the day of the account opening, **there may be a limited number of circumstances**, **where due to the specificities of a business sector it is not possible to obtain a self-certification on "day one" of the account opening process**. Such circumstances may include: (a) an insurance contract has been assigned from one person to another; (b) an account holder changes as a result of a court order; (c) a newly created company is in the process of obtaining a taxpayer identification number; or (d) an investor acquires shares in an investment trust on the secondary market. In addition, it is acknowledged that, even where a self-certification is obtained at account opening, validation of the self-certification may not always be completed on the day of the account opening (e.g. validation will be undertaken by a back office within the RFI).

Basis for calculating the amount of the penalty and introducing a cap on the maximum amount of penalty

34. Clause 11 of the Bill introduces penalty provisions where the **fine** for certain offences relating to providing false, incorrect or misleading information by an HKRCASP[8] imposed would be calculated as the higher of a fixed fine level or a per-user fine (an amount calculated based on the number of crypto-asset users and controlling persons involved). Members and the Legal Adviser of the Bills Committee have requested the Administration to explain the rationale for **calculating the fine based on the number of crypto-asset users and controlling persons involved**. Having expressed concern that this would significantly increase compliance costs, members worry that HKRCASPs may inadvertently fall foul of the law during the initial stages of implementing the new reporting regime, either due to unfamiliarity with the reporting requirements or through inadvertent errors. Members have **proposed introducing a cap on the maximum amount of penalty**.

35. The Administration has explained that its proposal for introducing penalties calculated based on the number of crypto-asset users or controlling persons involved **aims to provide penalties that are proportionate to the nature and seriousness of the relevant offences**. It also aligns with the penalty framework that we have put in place under CRS (which has penalties calculated based on the number of financial accounts involved). For jurisdictions (e.g. Singapore) that have implemented similar penalties for their AEOI administrative frameworks, there is also no cap on such penalties.

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[8] Offences under the proposed new sections 80R(7), (9), (11) and (13) of the Inland Revenue Ordinance.

36. For **unintentional administrative errors or first-time offences**, the HKRCASP concerned can explain its case to IRD. Penalties will be applied having regard to the nature and seriousness of each non-compliance case.

Arrangements for fines in lieu of prosecution

37. Under the proposed new section 80X(2) of the Inland Revenue Ordinance, the Commissioner of Inland Revenue may **compound certain offences**,[9] and may before judgment stay or compound any proceedings instituted for the offence. Under the proposed new section 82E, **a financial penalty in lieu of prosecution could be imposed** on an HKRCASP in relation to certain offences under the proposed new section 80R (e.g. failure to comply with the obligations of registration, or providing incorrect or incomplete information in a return) ("relevant offences") provided that no prosecution for a relevant offence has been initiated in respect of the same facts. Members and the Legal Adviser of the Bills Committee have requested the Administration to clarify **what factors would be considered** by the Commissioner of Inland Revenue for determining whether to compound the offence rather than initiate prosecution; and in respect of a relevant offence, whether the Administration would compound pursuant to the proposed new section 80X(2) or impose a financial penalty pursuant to the proposed new section 82E.

38. The Administration has advised that, under the proposed penalty regime for CARF, IRD can impose financial penalty, compound or institute prosecution for non-compliance of the relevant requirements. While the compounding mechanism mirrors the existing administrative framework for CRS, the Administration has proposed **putting in place the financial penalty mechanism through the proposed section 82E to provide a proportionate and cost-effective alternative to prosecution in respect of certain offences.**

39. In deciding whether to impose financial penalty, compound or initiate prosecution, IRD will **consider the facts and circumstances of each case, having regard to** the (1) details of the act; (2) number of crypto-asset users and controlling persons involved; (3) gravity of the HKRCASP's conduct; (4) degree of cooperation and disclosure; (5) period of time over which the offence had been committed; (6) whether a request to compound is offered; and (7) whether there is sufficient evidence to institute a prosecution, etc.

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[9] Offences under the proposed new sections 80R, 80S, 80T, 80U, 80V or 80W of the Inland Revenue Ordinance.

Penalty level regarding provision of self-certification—proposed section 80(2ZE)

40. The Bill provides that an RCASP must identify reportable users/persons, including both crypto-asset users (for individuals and entities) and controlling persons (for entities only), through due diligence procedures. An RCASP must obtain self-certifications from the users/ ontrolling persons when taking in new customers and confirm the reasonableness of such self-certifications for identifying their jurisdictions of residence. The proposed new section (2ZE) to be added to section 80 of the Inland Revenue Ordinance provides that any person who, **when submitting a self-certification to an HKRCASP**, knowingly or recklessly provides **information that is misleading, false or inaccurate in a material particular, shall be liable to a fine at level** ($10,000). Given that HKRCASPs rely heavily on crypto-assets users to provide true self-certification information, in order to **enhance the deterrent effect against offences involving the making of misleading or false information**, members have requested the Administration to consider **increasing the penalty for such offences**.

41. The Administration has advised that, while OECD requires jurisdictions to put in place legislation, rules and procedures to ensure the effective implementation of CARF, it does not set uniform or minimum standards for the penalty levels in respect of non-compliances. Jurisdictions may establish their penalty regimes having regard to their own circumstances. **When designing the penalty regime for CARF, the Administration strives to ensure effective deterrence while maintaining proportionality with other similar offences in the Inland Revenue Ordinance**. In formulating the penalty level for the offences regarding provision of self-certification under the proposed section 80(2ZD), reference has been made to similar offences and penalty level in sections 80(2E) and (2F) under the CRS framework, where the penalty level is set at level 3 (i.e. $10,000).

42. The Administration has also taken into account the practical scenarios where an **HKRCASP** is also an RFI under CRS when obtaining self-certification from a crypto-asset user who is also a financial account holder. In view of the above, it is considered **appropriate to set the penalty level at level 3** under the proposed section 80(2ZE), aligning with the existing penalty level under CRS.

List of "partner jurisdictions" and "reportable jurisdictions"

43. Under the proposed new section 50M(13) and (14) of the Inland Revenue Ordinance, the Commissioner of Inland Revenue would be empowered to publish a list of "partner jurisdictions" and "reportable

jurisdictions" in the manner specified by the Commissioner of Inland Revenue and such a list would not be subsidiary legislation and therefore not be subject to negative vetting procedure of LegCo under section 1 of the Interpretation and General Clauses Ordinance (Cap. 1). For the implementation of CRS under Part 8A of the Inland Revenue Ordinance, section 50J of the Inland Revenue Ordinance provides for a different mechanism under which the Secretary for Financial Services and the Treasury is empowered to amend the list of reportable jurisdictions and participating jurisdictions set out in Schedule 17E to the Inland Revenue Ordinance by notice published in the Gazette which is subsidiary legislation subject to the negative vetting procedure of LegCo. The Legal Adviser to the Bills Committee has requested the Administration to clarify **the justifications for the different approaches adopted under the proposed new section 50M(14) and section 50J of the Inland Revenue Ordinance**; and to clarify **the means by which the list of reportable jurisdictions and partner jurisdictions would be published and updated** by the Commissioner of Inland Revenue under the proposed new section 50M(13), in particular, whether the list of reportable jurisdictions and partner jurisdictions would be published on the website of IRD and updated in real-time.

44. The Administration has replied that, given that the crypto-asset sector is new and developing whilst CARF is a new reporting framework, more jurisdictions are expected to implement CARF and be added to the lists of "partner jurisdictions" and "reportable jurisdictions" from time to time. To timely reflect the latest position, it is proposed that the Commissioner of Inland Revenue be empowered to publish these lists (including the names of jurisdictions and the corresponding effective years) on the website of IRD. This arrangement will enable HKRCASPs' early determination of their reporting nexus and timely application of the due diligence procedures for newly added jurisdictions.

Guidance and support for the industry on compliance

45. To help all **HKRCASPs** better adapt to the new reporting regime, members have **suggested** that the Administration should **proactively engage with the industry and provide more detailed explanations**; issue **clear and easy-to-understand guidance**; and launch user-friendly **self-assessment tools** to assist individuals or entities in assessing whether they are **RCASPs** under CARF.

46. The Administration has taken note of members' suggestions and advised that, to assist the industry in adapting to the new requirements, IRD has published a flowchart on its website to help individuals or entities assess whether they are **RCASPs** under CARF. Following the experience of implementing CRS, IRD will closely work with the relevant stakeholders and

provide the necessary support. For instance, IRD will organize **briefings** for stakeholders, as well as provide on its website specific **guidance, self-certification templates**, a self-assessment tool for HKRCASPs (paragraph 15 above) and **frequently asked questions** after the passage of the Bill by the Legislative Council. A **dedicated team** in IRD has been set up to **provide technical support and handle enquiries**.

Matters relating to the wording and drafting of the legislation

47. As the term "相當可能" in the Chinese text under clauses 6(9) and 7 of the Bill does not appear to correspond to "likely to" in the English text of these provisions, members have suggested that the Administration should consider making appropriate amendments to those references.

48. The Administration has responded that the term "相當可能" in the Chinese text and "likely to" in the English text have been widely adopted correspondingly throughout the Inland Revenue Ordinance.[10] In light of the context of the relevant provisions, the Administration considers that the corresponding use of the term "相當可能" in the Chinese text and "likely to" in the English text appropriate.

49. Under the proposed new section 50M(1) of the Inland Revenue Ordinance, "investment entity" is proposed to mean, among others, a corporation licensed or an institution registered under the Securities and Futures Ordinance (Cap. 571) to carry out certain regulated activities (as defined by section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance), including **"trading in futures contracts"** (see paragraphs (a)(ii) and (b)(ii) of the proposed new definition of "investment entity"). The same formulation also appears in paragraphs (a)(ii) and (b)(ii) of the definition of "investment entity" in section 50A(1) of the Inland Revenue Ordinance. "Regulated activity" as defined in section 1 of Part 1 of Schedule 1 to the Securities and Futures Ordinance means any of the regulated activities specified in Part 1 of Schedule 5 to the Securities and Futures Ordinance. The Legal Adviser notes that the "regulated activities" as set out in Part 1 of Schedule 5 to the Securities and Futures Ordinance include "dealing in futures contracts" (Type 2) but not "trading in futures contracts". The Legal Adviser to the Bills Committee has requested the Administration to clarify whether "trading" and "dealing" carry the same meaning and if not, **whether it would be appropriate to refer to "dealing in futures contracts"** for consistency with Part 1 of Schedule 5 to the Securities and Futures Ordinance.

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[10] For example sections 51BA(2) and (6), 52(4) and (5), 63E(2)(b) to (bh), 63J(2)(a), (a), (c) and (d), 63O(2)(a) to (c), 71(3), and 76(1)).

50. The Administration has responded that to align with the regulated activities in Part 1 of Schedule 5 to the Securities and Futures Ordinance, it is agreed that **amendments** be made to amend paragraphs (a)(ii) and (b)(ii) of the definition of "investment entity" in the proposed sections 50M(1) and the existing 50A(1) of the Inland Revenue Ordinance such that **"trading in futures contracts" will be replaced with "dealing in futures contracts"**.

Proposed amendments to the Bill

51. In addition to the proposed amendments set out in paragraphs 17, 25 to 27, 29, and 50 above, the Administration will make textual and drafting amendments to the Bill to enhance clarity; for example in response to the advice of the Legal Adviser to the Bills Committee[11] the definition of "investment entity" will be refined by replacing "trading in futures contracts" with "dealing in futures contracts" as used in the Securities and Futures Ordinance, etc.

52. The Bills Committee has raised no objection to the proposed amendments put forward by the Administration. The full set of amendments to be moved by the Administration is set out in **Appendix 2**. The Bills Committee will not propose any amendments to the Bill.

Resumption of the Second Reading debate

53. The Bills Committee has completed the scrutiny of the Bill. The Bills Committee supports the resumption of the Second Reading debate on the Bill at the Council meeting of 4 November 2026.

Advice Sought

54. Members are invited to note the deliberations of the Bills Committee.

Council Business Divisions
Legislative Council Secretariat
22 October 2026

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[11] The Legal Adviser to the Bills Committee has also made written enquiries to the Administration regarding other legal and drafting aspects of the Bill (LC Paper No. CB(1)702/2026(01)). The Administration has responded to these enquiries; please refer to LC Paper No. CB(1)726/2026(01) for details.

Appendix 1

Bills Committee on Inland Revenue (Amendment) (Crypto-Asset Reporting Framework and Amended Common Reporting Standard) Bill 2026

Membership list

(Total: 9 members)

Chairman	Dr Hon Johnny NG Kit-chong, MH, JP
Deputy Chairman	Hon Andrew FAN Chun-wah, JP
Members	Hon Holden CHOW Ho-ding, JP Hon Robert LEE Wai-wang, JP Hon Duncan CHIU Hon Rock CHEN Chung-nin, SBS, JP Hon Carmen KAN Wai-mun, JP Dr Hon Webster NG Kam-wah, JP Hon Ken LEE Kwong-yu, MH
Clerk	Mr Derek LO
Legal Adviser	Ms Vanessa CHENG

Appendix 2

Inland Revenue (Amendment) (Crypto-Asset Reporting Framework and Amended Common Reporting Standard) Bill 2026

Committee Stage

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

Clause	Amendment Proposed
1(2)	By deleting "(3)" and substituting "(3), (3A)".
1(3)	By deleting "Part 2" and substituting "Division 1 of Part 2, except section 8,".
1	By adding— "(3A) Section 8 comes into operation immediately after the Inland Revenue (Amendment) (Automatic Exchange of Information) Ordinance 2026 (4 of 2026) comes into operation.".
1(4)	By deleting "Part 3" and substituting "Division 2 of Part 2".
2	By deleting the clause and substituting— "**2. Enactments amended** The enactments specified in Parts 2 and 3 are amended as set out in those Parts.".
Part 2	In the heading, by deleting "**Implement Crypto-Asset Reporting Framework**" and substituting "**Inland Revenue Ordinance (Cap. 112)**".
Part 2, Division 1	By deleting the heading and substituting— "**Division 1—Amendments to Implement Crypto-Asset Reporting Framework**".
Part 2, Division 1	By adding before clause 3— "**Subdivision 1—General Crypto-Asset Reporting Framework**".

3 In the proposed section 50M(1), in the definition of ***investment entity***, in paragraphs (a)(ii) and (b)(ii), by deleting "trading" and substituting "dealing".

3 In the proposed section 50M(1), in the Chinese text, in the definition of ***申報加密資產服務提供者***, by adding "以" before "提供為".

3 By deleting the proposed section 50Q(4)(b)(iii) and substituting—

"(iii) the HKRCASP does not maintain a relationship with a crypto-asset user that is identified as being a reportable user or having a controlling person that is a reportable person (***identified crypto-asset user***), or does not effectuate any relevant transaction for or on behalf of an identified crypto-asset user—the information mentioned in subsection (7); and".

3 By deleting the proposed section 50Q(7)(b) and substituting—

"(b) a statement of the fact that the HKRCASP does not maintain a relationship with, or does not effectuate any relevant transaction for or on behalf of, the identified crypto-asset user.".

3 In the proposed section 50S(7), by deleting everything after "HKRCASP, every" and before "must" and substituting "specified officer, or the designated officer (if any), of the entity".

3 By deleting the proposed section 50S(8) and substituting—

"(8) After the dissolution of the entity as mentioned in subsection (7)—

(a) if no designation of a designated officer is in effect and there is any change in the contact details of a specified officer—the specified officer must give a notice of the change to the Commissioner within 1 month after the change; or

(b) if a designation of a designated officer is in effect and there is any change in the contact details of the designated officer—the designated officer must give a notice of the change to the Commissioner within 1 month after the change.".

3 In the proposed section 50S(11), by deleting "HKRCASP or a specified officer requiring the HKRCASP, the individual or entity or the officer" and substituting "HKRCASP, a specified officer or a designated officer (if any) requiring the HKRCASP, the individual or entity or the officer concerned".

3 In the proposed section 50S(12), by deleting "entity or specified officer" and substituting "entity, specified officer or designated officer (if any)".

3 In the proposed section 50S, by adding—

"(13) For the purposes of subsections (7), (8) and (12), on agreement evidenced in writing by all specified officers of an entity that falls within the description in subsection (7), the specified officers may designate a person mentioned in subsection (16) to be a designated officer for complying with the following—

(a) if no notice under subsection (7)(a) has been given—

(i) subsection (7)(a);

(ii) subsection (7)(b);

(iii) subsection (8); and

(iv) the requirement under subsection (12); or

(b) if a notice under subsection (7)(a) has been given—

(i) subsection (7)(b);

(ii) subsection (8); and

(iii) the requirement under subsection (12).

(14) A designation under subsection (13) must be made by a notice that—

(a) is signed by the designated officer signifying the designated officer's consent to be designated;

(b) sets out the following details—

(i) the capacity of the designated officer in relation to the entity;

(ii) the contact details of the designated officer;

(iii) the date on which the designation is made; and

(c) is accompanied by the evidence of the agreement to designate the designated officer.

(15) Despite subsection (13), an agreement to designate a designated officer that is not made by all specified officers may be regarded as being so made for the purpose of that subsection if the Commissioner is satisfied, on production of any explanation or supporting materials, that there is reasonable cause for the agreement not being made by all specified officers.

(16) Any of the following persons may be designated under subsection (13)—

(a) one of the specified officers of the entity;

(b) a person who performed managerial functions in relation to the entity under the immediate authority of a director of (or, if there was no director, a person who was a trustee of, or who was responsible for the management of) the entity.

(17) A designation under subsection (13)—

(a) is valid from—

(i) (subject to subparagraph (ii)) the date of receipt of the designation notice by the Commissioner; or

(ii) if the agreement to designate the designated officer is not made by all specified officers—the date on which the agreement is regarded as so made by the Commissioner under subsection (15); and

(b) if the designation is valid under paragraph (a)—is taken to have effect from the date of designation set out in the designation notice.

(18) The designation of a person under subsection (13) ceases to have effect on the earliest of the following dates—

(a) if a notice of cessation of the designation is received by the Commissioner from that person—

(i) within a period of 14 days after the effective date of cessation of the designation stated in the notice (***cessation effective date***)—the cessation effective date;

(ii) after the period mentioned in subparagraph (i)—the date on which the notice is received by the Commissioner; or

(iii) on or before the cessation effective date—the cessation effective date;

(b) if a designation notice designating another person under subsection (13) to replace that person is received by the Commissioner—the date of designation set out in the notice.

(19) If there is a valid designation under subsection (17), all specified officers are relieved from their obligations to comply with—

(a) if the designation relates to compliance with the provisions and requirement mentioned in subsection (13)(a)—those provisions and requirement; or

(b) if the designation relates to compliance with the provisions and requirement mentioned in subsection (13)(b)—those provisions and requirement.

(20) In this section—

designated officer (指定人員) means a person designated under subsection (13);

designation notice (指定通知) means a notice mentioned in subsection (14) by which a designation under subsection (13) is made;

specified officer (指明人員), in relation to an entity that falls within the description in subsection (7), means every person who was a director of (or, if there was no director, every person who was a trustee of, or who was responsible for the management of) the entity immediately before the dissolution.".

3 In the proposed section 50T, in the heading, by adding "**that are entities**" after "**HKRCASPs**".

4 In the proposed Schedule 17EA, in Part 4, in section 2, by adding—

"(1A) In the case of a self-certification that fails the reasonableness test, the HKRCASP must either—

(a) obtain a valid self-certification; or

(b) obtain a reasonable explanation and documentation (as appropriate) supporting the reasonableness of the self-certification and retain a copy or a notation of such explanation and documentation,

before providing the service of effectuating relevant transactions to the entity crypto-asset user.".

Part 2, Division 2 By deleting the heading and substituting—

"**Subdivision 2—Administrative Provisions, Offences, Penalties and Related Matters**".

8 By deleting the clause and substituting—

"**8. Section 54 amended (liability of executor of deceased taxpayer)**

(1) Section 54, proviso, paragraph (a)—

Repeal

everything after "82A"

Substitute

"or an assessment of financial penalty under section 82C, 82DA, 82E or 82G, shall be instituted against the executor

under the provisions of Part 14 in respect of any act or default of the deceased person;".

(2) Section 54, proviso, paragraph (c)—

Repeal

everything after "82A"

Substitute

"or an assessment of financial penalty under section 82C, 82DA, 82E or 82G) in respect of a period prior to the person's death shall be made after the expiry of 3 years immediately after that year of assessment.".".

11 In the proposed section 80U, in the heading, by deleting everything after "**officers**" and substituting "**or designated officer in relation to entity that was HKRCASP within 6 years before dissolution**".

11 In the proposed section 80U(1), by deleting "within the meaning of section 50S(7)" and substituting ", or a designated officer, as defined by section 50S(20)".

11 In the proposed section 80U, by adding—

"(4) Without limiting the meaning of "reasonable excuse" in subsection (1), a person is taken to have established that the person had a reasonable excuse by showing that—

(a) if the person is charged with an offence under subsection (1) for failing to comply with section 50S(7)(a) or (b) or (8) or a requirement under section 50S(12)—the person had reasonable grounds to believe, and did believe, that a competent and reliable person other than the person—

(i) was charged with the duty of ensuring that the section or requirement, as the case may be, was complied with; and

(ii) was in a position to discharge that duty; or

(b) if the person is charged with an offence under subsection (1) for failing to comply with section 50S(7)(b) or a requirement under section 50S(12)—the records mentioned in section 50S(1) are otherwise required to be kept by another person under any other Ordinance.".

11 In the proposed section 80V(5)(b), in the Chinese text, by adding "以其他方式" before "提供該等".

12 In the heading, by deleting **"and 82F"** and substituting **"to 82H"**.

12 In the proposed section 82E(1)(b), by adding "(as may be appropriate)" after "(vi)".

12 In the proposed section 82E, by adding—

"(12) In this section—

crypto-asset user (加密資產使用者) has the meaning given by section 50M(1).".

12 In the proposed section 82F, in the heading, by adding "**under section 82E**" after "**penalty**".

12 In the proposed section 82F(4), in the English text, by deleting "assessment to" and substituting "assessment of".

12 By adding—

"**82G. Financial penalty on specified officers or designated officer in lieu of prosecution in certain cases under section 80U**

(1) If—

(a) a specified officer or designated officer, without reasonable excuse, fails to comply with—

(i) section 50S(7)(a);

(ii) section 50S(7)(b);

(iii) section 50S(8); or

(iv) a requirement under section 50S(12); and

(b) no prosecution for an offence under section 80U has been instituted in respect of the same facts in relation to paragraph (a)(i), (ii), (iii) or (iv) (as may be appropriate),

the officer concerned is liable to be subjected to a financial penalty assessed under this section not exceeding the amount that the officer would have been liable to pay as a fine on conviction under section 80U.

(2) An assessment of financial penalty may be made only by the Commissioner personally or a deputy commissioner personally (each is referred to as the ***specified authority***).

(3) Before making an assessment of financial penalty for the purposes of subsection (1), the specified authority must—

(a) give a notice to the officer concerned of the specified authority's intention to assess financial penalty, and the notice must—

(i) inform the officer of the alleged failure to comply with section 50S(7)(a) or (b) or (8) or a requirement under section 50S(12) (as may be appropriate);

(ii) state that, with regard to the proposed assessment of financial penalty in respect of the officer, the officer may submit a written representation and evidence to the specified authority; and

(iii) specify the date, which must not be within 21 days after the notice is given, by which the representation and evidence that the officer wishes to submit under subparagraph (ii) must be received by the specified authority; and

(b) consider and take into account any representation and evidence submitted by the officer under paragraph (a)(ii).

(4) Despite subsection (3), if a specified authority intends to make an assessment of financial penalty in respect of a specified officer, or a designated officer, who is an individual (***individual officer***), and the authority is of the opinion that the individual officer is about to leave Hong Kong, the authority may make an assessment in respect of the individual officer without giving a notice under subsection (3)(a).

(5) Notice of intention to make an assessment of financial penalty and notice of an assessment of financial penalty must be given in the same manner as is prescribed in section 58(2) for a notice of assessment under section 62.

(6) If an individual officer is liable to have an assessment of financial penalty made in respect of him or her and the individual officer has died, the assessment may be made in respect of his or her executor, and the financial penalty is to be recovered as a debt due from and payable out of his or her estate.

(7) A specified officer, or a designated officer, in respect of which an assessment is made under this section for an act or omission is not liable to be charged with an offence under section 80U for the same act or omission.

(8) For payment, recovery and repayment of a financial penalty, section 54 and Parts 12 and 13 have effect subject to subsection (9) as if the financial penalty were a tax.

(9) For the purposes of subsection (8)—

(a) section 54 applies in relation to a financial penalty as if a reference to "year of assessment" in that section were a reference to "calendar year";

(b) sections 77A and 79(3), (3A), (4) and (5) do not apply in relation to a financial penalty; and

(c) section 79(1) applies in relation to a financial penalty as if the reference to "year of assessment" in that section were a reference to "calendar year".

(10) Without limiting the meaning of "reasonable excuse" in subsection (1)(a), if a person is liable under subsection (1) to be subjected to a financial penalty assessed under this section, the person is taken to have established that the person had a reasonable excuse by showing that—

(a) the person had reasonable grounds to believe, and did believe, that a competent and reliable person other than the person—

(i) was charged with the duty of ensuring that section 50S(7)(a) or (b) or (8) or the requirement under section 50S(12), as may be appropriate, was complied with; and

(ii) was in a position to discharge that duty; or

(b) the records mentioned in section 50S(1) are otherwise required to be kept by another person under any other Ordinance.

82H. Appeals against assessment of financial penalty under section 82G to Board of Review

(1) If an assessment of financial penalty is made in respect of a specified officer or designated officer under section 82G, the officer concerned may within—

(a) 1 month after the notice of assessment is given to the officer; or

(b) the period as extended under subsection (3),

lodge, either by the officer or by an authorized representative, an appeal against the assessment by giving a notice of appeal to the Board of Review in accordance with subsection (2).

(2) A notice of appeal must be given in writing to the clerk to the Board and be accompanied by—

(a) a copy of the notice of assessment;

(b) a statement setting out the grounds of appeal;

(c) a copy of the notice of intention to assess financial penalty given under section 82G(3)(a); and

(d) a copy of any written representation and evidence (if any) submitted under section 82G(3) in respect of the assessment.

(3) If the Board is satisfied that an appellant was prevented by illness or absence from Hong Kong or other reasonable cause from giving a notice of appeal in accordance with subsection (1)(a), the Board may extend for such period as it thinks fit the time within which a notice of appeal may be given under subsection (1).

(4) On an appeal against an assessment of financial penalty, it is open to the appellant to argue that—

(a) the appellant is not liable to financial penalty;

(b) the amount of financial penalty assessed in respect of the appellant exceeds the amount for which the appellant would be liable under section 82G; and

(c) the amount of financial penalty, although not in excess of that for which the appellant would be liable under section 82G, is excessive in the circumstances of the case.

(5) Sections 66(2) and (3), 68, 68AA, 68AAB, 68A, 69 and 70, to the extent that they are applicable, have effect in relation to an appeal under this section as if the appeal were against an assessment to tax other than financial penalty.

(6) For the purposes of subsection (5)—

(a) section 68(1D) applies in relation to a financial penalty as if the reference to "year of assessment" in that section were a reference to "calendar year"; and

(b) section 70 applies in relation to a financial penalty as if the reference to "year of assessment" in that section were a reference to "calendar year".".

Part 3 By deleting—

"**Part 3**

Amendments to Implement Amendments to Common Reporting Standard to Include New Digital Financial Products and Enhance Reporting Outcomes".

New — By adding before clause 19—

"**Division 2—Amendments to Implement Amendments to Common Reporting Standard to Include New Digital Financial Products and Enhance Reporting Outcomes**".

19(26) — In the proposed definition of ***2023-CRS amendments***, by deleting "Part 3" and substituting "Division 2 of Part 2".

23(6) — In the proposed section 14(e) of Schedule 17C, by adding "this paragraph and" before "paragraphs".

Part 4 — By deleting—

"**Part 4**

Miscellaneous Amendments".

New — By adding before clause 25—

"**Division 3—Miscellaneous Amendments**".

25 — By adding—

"(1A) Section 50A(1), definition of ***investment entity***, paragraphs (a)(ii) and (b)(ii)—

Repeal

"trading"

Substitute

"dealing".".

29 — By deleting ", after item 11".

New — By adding after clause 29—

"**Part 3**

Amendments to Inland Revenue (Amendment) (Automatic Exchange of Information) Ordinance 2026 (4 of 2026)

30. Section 6 amended (section 50D amended (further obligations of reporting financial institutions relating to returns))

(1) Section 6(3), new section 50D(8)—

Repeal

everything after "institution, every" and before "must"

Substitute

"specified officer, or the designated officer (if any), of the entity".

(2) Section 6(3), new section 50D—

Repeal new section 50D(9)

Substitute

"(9) After the dissolution of the entity as mentioned in subsection (8)—

(a) if no designation of a designated officer is in effect and there is any change in the contact details of a specified officer—the specified officer must give a notice of the change to the Commissioner within 1 month after the change; or

(b) if a designation of a designated officer is in effect and there is any change in the contact details of the designated officer—the designated officer must give a notice of the change to the Commissioner within 1 month after the change.".

(3) Section 6(3), new section 50D(11)—

Repeal

"reporting financial institution or a specified officer requiring the institution, the entity or the officer"

Substitute

"reporting financial institution, a specified officer or a designated officer (if any) requiring the reporting financial institution, the entity or the officer concerned".

(4) Section 6(3), new section 50D(12)—

Repeal

"entity or specified officer"

Substitute

"entity, specified officer or designated officer (if any)".

(5) Section 6(3), after new section 50D(12)—

Add

"(13) For the purposes of subsections (8), (9) and (12), on agreement evidenced in writing by all specified officers of an entity that falls within the description in subsection (8), the specified officers may designate a person mentioned in subsection (16) to be a designated officer for complying with the following—

(a) if no notice under subsection (8)(a) has been given—

(i) subsection (8)(a);

(ii) subsection (8)(b);

(iii) subsection (9); and

(iv) the requirement under subsection (12); or

(b) if a notice under subsection (8)(a) has been given—

(i) subsection (8)(b);

(ii) subsection (9); and

(iii) the requirement under subsection (12).

(14) A designation under subsection (13) must be made by a notice that—

(a) is signed by the designated officer signifying the designated officer's consent to be designated;

(b) sets out the following details—

(i) the capacity of the designated officer in relation to the entity;

(ii) the contact details of the designated officer;

(iii) the date on which the designation is made; and

(c) is accompanied by the evidence of the agreement to designate the designated officer.

(15) Despite subsection (13), an agreement to designate a designated officer that is not made by all specified officers may be regarded as being so made for the purpose of that subsection if the Commissioner is satisfied, on production of any explanation or supporting materials, that there is reasonable cause for the agreement not being made by all specified officers.

(16) Any of the following persons may be designated under subsection (13)—

(a) one of the specified officers of the entity;

(b) a person who performed managerial functions in relation to the entity under the immediate authority of a director of (or, if there was no director, a person who was a trustee of, or who was responsible for the management of) the entity.

(17) A designation under subsection (13)—

(a) is valid from—

(i) (subject to subparagraph (ii)) the date of receipt of the designation notice by the Commissioner; or

(ii) if the agreement to designate the designated officer is not made by all specified officers—the date on which the agreement is regarded as so made by the Commissioner under subsection (15); and

(b) if the designation is valid under paragraph (a)—is taken to have effect from the date of designation set out in the designation notice.

(18) The designation of a person under subsection (13) ceases to have effect on the earliest of the following dates—

(a) if a notice of cessation of the designation is received by the Commissioner from that person—

(i) within a period of 14 days after the effective date of cessation of the designation stated in the notice (***cessation effective date***)—the cessation effective date;

(ii) after the period mentioned in subparagraph (i)—the date on which the notice is received by the Commissioner; or

(iii) on or before the cessation effective date—the cessation effective date;

(b) if a designation notice designating another person under subsection (13) to replace that person is received by the Commissioner—the date of designation set out in the notice.

(19) If there is a valid designation under subsection (17), all specified officers are relieved from their obligations to comply with—

(a) if the designation relates to compliance with the provisions and requirement mentioned in subsection (13)(a)—those provisions and requirement; or

(b) if the designation relates to compliance with the provisions and requirement mentioned in subsection (13)(b)—those provisions and requirement.

(20) In this section—

designated officer (指定人員) means a person designated under subsection (13);

designation notice (指定通知) means a notice mentioned in subsection (14) by which a designation under subsection (13) is made;

specified officer (指明人員), in relation to an entity that falls within the description in subsection (8), means every person who was a director of (or, if there was no director, every person who was a trustee of, or who was responsible for the management of) the entity immediately before the dissolution.

31. Section 9 amended (section 50I amended (Commissioner may designate system or specify requirements for electronic record, etc.))

Section 9(3), new section 50I(2)(b)(i)—

Repeal

"50AB(2)"

Substitute

"50AB(1)".

32. Section 11 amended (section 54 amended (liability of executor of deceased taxpayer))

(1) Section 11(1)—

Repeal

"assessment to financial penalty under section 82C"

Substitute

"assessment of financial penalty under section 82C or 82DA".

(2) Section 11(2)—

Repeal

"assessment to financial penalty under section 82C"

Substitute

"assessment of financial penalty under section 82C or 82DA".

33. Section 14 amended (sections 80CA and 80CB added)

(1) Section 14, new section 80CB, heading—

Repeal

everything after "**officers**"

Substitute

"**or designated officer in relation to entity that was reporting financial institution within 6 years before dissolution**".

(2) Section 14, new section 80CB(1)—

Repeal

"within the meaning of section 50D(8)"

Substitute

", or a designated officer, as defined by section 50D(20)".

(3) Section 14, after new section 80CB(3)—

Add

"(4) Without limiting the meaning of "reasonable excuse" in subsection (1), a person is taken to have established that the person had a reasonable excuse by showing that—

(a) if the person is charged with an offence under subsection (1) for failing to comply with section 50D(8)(a) or (b) or (9) or a requirement under

section 50D(12)—the person had reasonable grounds to believe, and did believe, that a competent and reliable person other than the person—

(i) was charged with the duty of ensuring that the section or requirement, as the case may be, was complied with; and

(ii) was in a position to discharge that duty; or

(b) if the person is charged with an offence under subsection (1) for failing to comply with section 50D(8)(b) or a requirement under section 50D(12)—the records mentioned in section 50D(1) are otherwise required to be kept by another person under any other Ordinance.".

34. Section 18 amended (sections 82C and 82D added)

(1) Section 18, heading—

Repeal

"**and 82D**"

Substitute

"**to 82DB**".

(2) Section 18, new section 82D, heading, after "**penalty**"—

Add

"**under section 82C**".

(3) Section 18, after new section 82D—

Add

"**82DA. Financial penalty on specified officers or designated officer in lieu of prosecution in certain cases under section 80CB**

(1) If—

(a) a specified officer or designated officer, without reasonable excuse, fails to comply with—

(i) section 50D(8)(a);

(ii) section 50D(8)(b);

(iii) section 50D(9); or

(iv) a requirement under section 50D(12); and

(b) no prosecution for an offence under section 80CB has been instituted in respect of the same

facts in relation to paragraph (a)(i), (ii), (iii) or (iv) (as may be appropriate),

the officer concerned is liable to be subjected to a financial penalty assessed under this section not exceeding the amount that the officer would have been liable to pay as a fine on conviction under section 80CB.

(2) An assessment of financial penalty may be made only by the Commissioner personally or a deputy commissioner personally (each is referred to as the ***specified authority***).

(3) Before making an assessment of financial penalty for the purposes of subsection (1), the specified authority must—

(a) give a notice to the officer concerned of the specified authority's intention to assess financial penalty, and the notice must—

(i) inform the officer of the alleged failure to comply with section 50D(8)(a) or (b) or (9) or a requirement under section 50D(12) (as may be appropriate);

(ii) state that, with regard to the proposed assessment of financial penalty in respect of the officer, the officer may submit a written representation and evidence to the specified authority; and

(iii) specify the date, which must not be within 21 days after the notice is given, by which the representation and evidence that the officer wishes to submit under subparagraph (ii) must be received by the specified authority; and

(b) consider and take into account any representation and evidence submitted by the officer under paragraph (a)(ii).

(4) Despite subsection (3), if a specified authority intends to make an assessment of financial penalty in respect of a specified officer, or a designated officer, who is an individual (***individual officer***), and the authority is of the opinion that the individual officer is about to leave Hong Kong, the authority may make an assessment in respect of the individual officer without giving a notice under subsection (3)(a).

(5) Notice of intention to make an assessment of financial penalty and notice of an assessment of financial penalty must be given in the same manner as is prescribed in section 58(2) for a notice of assessment under section 62.

(6) If an individual officer is liable to have an assessment of financial penalty made in respect of him or her and the individual officer has died, the assessment may be made in respect of his or her executor, and the financial penalty is to be recovered as a debt due from and payable out of his or her estate.

(7) A specified officer, or a designated officer, in respect of which an assessment is made under this section for an act or omission is not liable to be charged with an offence under section 80CB for the same act or omission.

(8) For payment, recovery and repayment of a financial penalty, section 54 and Parts 12 and 13 have effect subject to subsection (9) as if the financial penalty were a tax.

(9) For the purposes of subsection (8)—

(a) section 54 applies in relation to a financial penalty as if a reference to "year of assessment" in that section were a reference to "calendar year";

(b) sections 77A and 79(3), (3A), (4) and (5) do not apply in relation to a financial penalty; and

(c) section 79(1) applies in relation to a financial penalty as if the reference to "year of assessment" in that section were a reference to "calendar year".

(10) Without limiting the meaning of "reasonable excuse" in subsection (1)(a), if a person is liable under subsection (1) to be subjected to a financial penalty assessed under this section, the person is taken to have established that the person had a reasonable excuse by showing that—

(a) the person had reasonable grounds to believe, and did believe, that a competent and reliable person other than the person—

(i) was charged with the duty of ensuring that section 50D(8)(a) or (b) or (9) or the

requirement under section 50D(12), as may be appropriate, was complied with; and

(ii) was in a position to discharge that duty; or

(b) the records mentioned in section 50D(1) are otherwise required to be kept by another person under any other Ordinance.

82DB. Appeals against assessment of financial penalty under section 82DA to Board of Review

(1) If an assessment of financial penalty is made in respect of a specified officer or designated officer under section 82DA, the officer concerned may within—

(a) 1 month after the notice of assessment is given to the officer; or

(b) the period as extended under subsection (3),

lodge, either by the officer or by an authorized representative, an appeal against the assessment by giving a notice of appeal to the Board of Review in accordance with subsection (2).

(2) A notice of appeal must be given in writing to the clerk to the Board and be accompanied by—

(a) a copy of the notice of assessment;

(b) a statement setting out the grounds of appeal;

(c) a copy of the notice of intention to assess financial penalty given under section 82DA(3)(a); and

(d) a copy of any written representation and evidence (if any) submitted under section 82DA(3) in respect of the assessment.

(3) If the Board is satisfied that an appellant was prevented by illness or absence from Hong Kong or other reasonable cause from giving a notice of appeal in accordance with subsection (1)(a), the Board may extend for such period as it thinks fit the time within which a notice of appeal may be given under subsection (1).

(4) On an appeal against an assessment of financial penalty, it is open to the appellant to argue that—

(a) the appellant is not liable to financial penalty;

(b) the amount of financial penalty assessed in respect of the appellant exceeds the amount for which the appellant would be liable under section 82DA; and

(c) the amount of financial penalty, although not in excess of that for which the appellant would be liable under section 82DA, is excessive in the circumstances of the case.

(5) Sections 66(2) and (3), 68, 68AA, 68AAB, 68A, 69 and 70, to the extent that they are applicable, have effect in relation to an appeal under this section as if the appeal were against an assessment to tax other than financial penalty.

(6) For the purposes of subsection (5)—

(a) section 68(1D) applies in relation to a financial penalty as if the reference to "year of assessment" in that section were a reference to "calendar year"; and

(b) section 70 applies in relation to a financial penalty as if the reference to "year of assessment" in that section were a reference to "calendar year".".