

Government welcomes EU's removal of Hong Kong from watchlist on tax co-operation

The Hong Kong Special Administrative Region Government today (March 13) welcomed the decision of the European Union (EU) to remove Hong Kong from its watchlist on tax co-operation in recognition of the efforts made by Hong Kong on the international tax co-operation front.

The Secretary for Financial Services and the Treasury, Mr James Lau, said, "As an international financial centre, Hong Kong has all along proactively supported and facilitated the efforts of the international community in enhancing tax transparency and combating cross-border tax evasion. Since 2018, Hong Kong has implemented various initiatives relating to international tax co-operation and fulfilled the commitments made to the EU.

"The latest decision of the EU shows that Hong Kong's compliance with the standards of international tax co-operation is recognised by the international community," he said.

The initiatives implemented by Hong Kong include the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, which entered into force on September 1, 2018 to allow Hong Kong to effectively implement the automatic exchange of financial account information in tax matters (AEOI) and the Base Erosion and Profit Shifting package promulgated by the Organisation for Economic Co-operation and Development. The first exchanges under the AEOI with the relevant jurisdictions were smoothly conducted in September and October 2018.

Furthermore, the Inland Revenue (Amendment) (No. 6) Bill 2017 and the Inland Revenue (Profits Tax Exemption for Funds) (Amendment) Bill 2018, which were passed in July 2018 and February 2019 respectively, amend the tax regimes in respect of corporate treasury centres, professional reinsurance, captive insurance, offshore funds and offshore private equity funds by extending the coverage of the relevant tax concessions from non-domestic transactions to domestic transactions so as to comply with international requirements.

In 2017 and 2018, the EU had put 68 tax jurisdictions including Hong Kong on the watchlist, and monitored the progress of the relevant jurisdictions in implementing the requirements of international tax co-operation.