

Inland Revenue (Convention on Mutual Administrative Assistance in Tax Matters) Order gazetted and commences operation

The Inland Revenue (Convention on Mutual Administrative Assistance in Tax Matters) Order (the Order) was gazetted and came into operation today (July 13). The Convention on Mutual Administrative Assistance in Tax Matters (the Convention) will enter into force in Hong Kong 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 (BEPS) package promulgated by the Organisation for Economic Co-operation and Development (OECD).

"The Convention provides a multi-party platform for participating jurisdictions to mutually agree with each other on various forms of administrative co-operation in the assessment and collection of taxes, including exchange of information. As at July 2, 2018, 124 jurisdictions had joined the Convention," a government spokesman said.

The declaration made by the Central People's Government (CPG) on extending the application of the Convention to Hong Kong was registered at the OECD on May 29, 2018. The declaration includes a list of reservations and declarations in respect of Hong Kong under the Convention. On June 25, 2018, the CPG deposited with the OECD a unilateral declaration on the effective date for exchanges of information with respect to AEOI in Hong Kong. "We are grateful for the assistance of the CPG in extending the application of the Convention to Hong Kong," the spokesman added.

For Hong Kong to conduct the first round of AEOI on schedule, the Order needs to commence operation on the gazettal date (i.e. today). The Government will table the Order at the Legislative Council on October 10, 2018, for negative vetting.

Hong Kong will also ride on the Convention to take forward the automatic exchange of country-by-country reports and spontaneous exchange of information on tax rulings under the BEPS package. Pursuant to the reservations made under the Convention, Hong Kong will not render assistance to other tax authorities in terms of recovery of tax claims or fines, service of documents, and so forth.