

Refinements to Legislative Framework of Automatic Exchange of Financial Account Information in Tax Matters to come into force

The Inland Revenue (Amendment) (No. 2) Ordinance 2019 (Amendment Ordinance) is gazetted today (March 1). The legislative framework of automatic exchange of financial account information in tax matters (AEOI) under the Inland Revenue Ordinance (Cap. 112) (IRO) will be refined with effect from January 1, 2020 for better aligning the relevant provisions with the requirements promulgated by the Organisation for Economic Co-operation and Development (OECD).

"Hong Kong has all along been committed to complying with the international standards on tax co-operation, and the AEOI legislative framework was put in place in June 2016," a Government spokesman said.

The Amendment Ordinance requires Mandatory Provident Fund Schemes, Occupational Retirement Schemes registered under the Occupational Retirement Schemes Ordinance (Cap. 426), pooling agreements, approved pooled investment funds and credit unions to comply with the due diligence and reporting obligations relating to AEOI starting from 2020. If members of the institutions concerned are tax residents of the reportable jurisdictions, such institutions will need to report in 2021 for the first time to the Inland Revenue Department (IRD) the financial account information of the relevant members, covering the year 2020, for transmission to the relevant tax authorities.

Further, Hong Kong's network for tax information exchange has been expanded since the Convention on Mutual Administrative Assistance in Tax Matters came into force in Hong Kong on September 1, 2018. The Amendment Ordinance increases the number of reportable jurisdictions under the IRO from the current 75 to 126.

The Amendment Ordinance has also introduced technical refinements to certain AEOI-related provisions of the IRO.

The IRD will revise the Guidance for Financial Institutions having regard to the Amendment Ordinance. The public can obtain more information on AEOI via the IRD's webpage (www.ird.gov.hk/eng/tax/dta_aeoi.htm).

AEOI requires financial institutions to identify financial accounts held by tax residents of reportable jurisdictions, and to collect the relevant financial account information for reporting to the tax authority and subsequent exchange with other relevant jurisdictions. Hong Kong conducted the first round of AEOI with the relevant jurisdictions in 2018.