

HONG KONG TAX ALERT

ISSUE 7 | March 2014

Hong Kong and the United States of America signed a Tax Information Exchange Agreement on 25 March 2014

Hong Kong has signed an agreement for the exchange of tax information with the United States of America (US).

This is the first tax information exchange agreement (TIEA) signed by Hong Kong since the legal framework for entering into TIEAs was passed in July last year (see [Tax alert issue 14 July 2013](#)). TIEAs allow the Inland Revenue Department (IRD) to exchange information upon request made by another jurisdiction in relation to the assessment or enforcement of tax matters.

The Hong Kong government regards the signing of the TIEA with the US as a demonstration of its commitment to promoting tax transparency but has reiterated that its priority remains the expansion of its network of CDTAs with its major trading and investment partners.

The TIEA will only become effective after Hong Kong and the US have completed their respective legislative and ratification procedures to bring the TIEA into force. It is expected that the relevant legislation will be implemented as a matter of priority.

Details of the Hong Kong/US TIEA can be found on the IRD's website: www.ird.gov.hk/eng/pdf/Agreement_US_HongKong.pdf

The TIEA with the US will also facilitate the exchange of tax information under a request made by the US under the US Foreign Account Tax Compliance Act (FATCA). FATCA, which comes into effect in July 2014, requires foreign financial institutions such as banks to declare to the US tax authorities the foreign holdings of US persons.

In this regard, Hong Kong intends to enter into an intergovernmental agreement with the US which will enable Hong Kong financial institutions to comply with FATCA.

Going forward it is anticipated that Hong Kong will be approached by more jurisdictions to conclude a TIEA.



Khoon Ming Ho
Partner in Charge, Tax
China and Hong Kong SAR

Tel: +86 10 8508 7082
khoonming.ho@kpmg.com



Ayesha M. Lau
Partner in Charge, Tax
Hong Kong SAR

Tel: +852 2826 7165
ayasha.lau@kpmg.com



Chris Abbiss
Partner

Tel: +852 2826 7226
chris.abbiss@kpmg.com



Darren Bowdern
Partner

Tel: +852 2826 7166
darren.bowdern@kpmg.com



Barbara Forrest
Principal

Tel: +852 2978 8941
barbara.forrest@kpmg.com



Daniel Hui
Principal

Tel: +852 2685 7815
daniel.hui@kpmg.com



Charles Kinsley
Principal

Tel: +852 2826 8070
charles.kinsley@kpmg.com



John Kondos
Partner

Tel: +852 2685 7457
john.kondos@kpmg.com



Alice Leung
Partner

Tel: +852 2143 8711
alice.leung@kpmg.com



Curtis Ng
Partner

Tel: +852 2143 8709
curtis.ng@kpmg.com



Kari Pahlman
Principal

Tel: +852 2143 8777
kari.pahlman@kpmg.com



Murray Sarelius
Partner

+852 3927 5671
murray.sarelius@kpmg.com



John Timpany
Partner

Tel: +852 2143 8790
john.timpany@kpmg.com



Wade Wagatsuma
Partner

Tel: +852 2685 7806
wade.wagatsuma@kpmg.com



Lachlan Wolfers
Partner

+852 2685 7791
lachlan.wolfers@kpmg.com



Jennifer Wong
Partner

Tel: +852 2978 8288
jennifer.wong@kpmg.com



Chris Xing
Partner

Tel: + 852 2978 8965
christopher.xing@kpmg.com



Karmen Yeung
Partner

Tel: +852 2143 8753
karmen.yeung@kpmg.com



Kate Lai
Director

Tel: +852 2978 8942
kate.lai@kpmg.com



Alex Lau
Director

Tel: +852 2143 8597
alex.lau@kpmg.com



Benjamin Pong
Director

Tel: +852 2143 8525
benjamin.pong@kpmg.com



Adam Zhong
Director

Tel: +852 2685 7559
adam.zhong@kpmg.com



Garry Laird
Senior Tax Advisor

Tel: +852 2143 8795
garry.laird@kpmg.com



Justin Pearce
Senior Tax Advisor

+852 2143 8756
justin.pearce@kpmg.com

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