

HONG KONG TAX ALERT

ISSUE 21 | September 2014

Hong Kong takes a major step towards the automatic exchange of information

Hong Kong supports the call from the Global Forum on Transparency and Exchange of Information for Tax Purposes ("Global Forum") for all its members to adopt and implement the 'Common Reporting Standard for Automatic Exchange of Financial Account Information in Tax Matters'.

Highlights

- On 15 September 2014, the HKSAR Government announced its commitment to implement the OECD's *Common Reporting Standard for Automatic Exchange of Financial Account Information in Tax Matters*.
- The OECD will present the Common Reporting Standard to the G20 Finance Ministers and Central Bank Governors in Australia on 20-21 September 2014.
- The HKSAR Government may need to work to a strict schedule in order to have the necessary legislation enacted before the Global Forum's anticipated commencement date of 2018.

In August 2014, we [reported](#) that the Organisation for Economic Co-operation and Development (OECD) had published the first edition of the *Standard for Automatic Exchange of Financial Account Information in Tax* (the Common Reporting Standard), which is intended to facilitate the automatic exchange of financial information. In addition, we indicated that Hong Kong would have to consider adopting the Common Reporting Standard in the near future and that the HKSAR Government would need to introduce legislation that provides a legal framework for the automatic exchange of information.

The Common Reporting Standard will be presented by the OECD to the G20 Finance Ministers and Central Bank Governors at their meeting in Cairns, Australia on 20-21 September 2014.

Hong Kong was quick to respond directly and positively to the Global Forum, of which it is a member. In an announcement on 15 September 2014, Secretary for Financial Services and the Treasury, Professor KC Chan, committed to implementing the Common Reporting Standard and said:

"It is crucial for Hong Kong to adopt the latest global standard on tax transparency in order to maintain our international reputation and competitiveness as an international financial and business centre."

Current legislation in Hong Kong precludes the exchange of information other than on a request basis. In order to adopt and implement the Common Reporting Standard, appropriate legislation will be required. With this in mind, the secretary further announced that the HKSAR Government would soon engage stakeholders, address policy and legal issues, and ultimately seek the Legislative Council's approval for the legislation required to implement the new global standard for the automatic exchange of information.

This approach resonates with that adopted by the government when it introduced legislation enabling Hong Kong to enter into standalone [tax information exchange agreements](#) (TIEA). In this instance, the consultation process started in mid- to late 2012 and included extensive consultations with business and industry bodies, as well as legal, financial and accountancy representative groups. The legislation was enacted in July 2013.

We expect a similar process for the introduction of the Common Reporting Standard, although given the Global Forum's anticipated commencement date of 2018, the necessary agreements to properly implement the Common Reporting Standard and the administrative measures that will be required, the government may need to work to a strict schedule in order to have the necessary legislation enacted.

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