

# HONG KONG TAX ALERT

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## Hong Kong's tax co-operation status clarified by Spain

*Spain rectifies the technical error of including Hong Kong on the national list of non-cooperative tax jurisdictions.*

### Summary

- As ten EU member states (including Spain) listed Hong Kong as a non-cooperative tax jurisdiction, Hong Kong was named as one of the thirty non-cooperative tax jurisdictions by the European Commission on 17 June 2015
- The technical error of Spain presenting Hong Kong on the national list in June 2015 was rectified
- The European Commission updated its webpage on 12 October 2015 regarding non-cooperative tax jurisdictions with the name of Hong Kong removed from the Spanish national list
- It is hoped that other EU member states will follow Spain's decision to remove Hong Kong from their national lists

On 17 June 2015, the European Commission published its first list of non-cooperative tax jurisdictions, with Hong Kong being named as one of the thirty non-cooperative tax jurisdictions. The blacklist seeks to identify non-European Union (EU) jurisdictions that have non-compliant tax practices, such as those that lack transparency, exchange of information, or presence of harmful tax measures. The inclusion of Hong Kong in the list was rather a surprise to Hong Kong government and the business community.

The sole criterion for listing a jurisdiction on the European Commission list was that at least ten EU member states have considered the jurisdiction as non-cooperative on their national lists. The ten EU member states which listed Hong Kong as a non-cooperative tax jurisdiction are Bulgaria, Croatia, Estonia, Greece, Italy, Latvia, Lithuania, Poland, Portugal and Spain. Among these countries, Italy, Portugal and Spain have signed a Comprehensive Double Tax Agreement (CDTA) with Hong Kong.

Hong Kong is one of the members of the Global Forum on Transparency and Exchange of Information for Tax Purposes (the Global Forum), and underwent a two-phase peer review by the Global Forum. Hong Kong has been regarded as a largely compliant jurisdiction in both Phase 1 and Phase 2 reviews, which were completed in 2011 and 2013 respectively.

Hong Kong continues to expand its network of CDTA and tax information exchange agreement (TIEA) in the recent years. Hong Kong has signed 32 CDTAs and seven TIEAs to enable exchange of tax-related information. The Hong Kong government also indicated that it is negotiating with five other EU member states on CDTAs and/or TIEAs.

Hong Kong is committed to comply with the latest global standards on automatic exchange of financial account information in tax matters. It is expected that the draft legislation will be submitted to the Legislative Council in early 2016.

After the Hong Kong government's liaison and clarification with relevant authorities, the technical error of Spain presenting Hong Kong on the national list in June 2015 was rectified. The European Commission updated its webpage on 12 October 2015 regarding non-cooperative tax jurisdictions with the name of Hong Kong removed from the Spanish national list. The Hong Kong government will also try to appeal for the early removal of Hong Kong from Italy's national list as a non-cooperative tax jurisdiction.

The Press Release published by the Hong Kong government dated 14 October 2015 can be found below:

<http://www.info.gov.hk/gia/general/201510/14/P201510140706.htm>

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