



Inland Revenue Department
The Government of the Hong Kong
Special Administrative Region

AUTOMATIC EXCHANGE OF INFORMATION

Tax authorities get the global device they need to ensure tax compliance

More than 100 jurisdictions including Hong Kong have committed to a global action to ensure compliance.

As the world becomes increasingly globalised and cross-border activities become the norm, tax authorities need to work together to ensure that taxpayers pay the right amount of tax to the jurisdictions concerned. A key aspect for making tax authorities ready for the challenges of the 21st century is equipping them with the necessary legal, administrative and IT tools for verifying compliance of their taxpayers.

From 2018 Hong Kong will start exchanging financial account information with other jurisdictions, thereby enabling it to know taxpayers who place their assets abroad. This is the result of a G20-led initiative carried out by the Organisation for Economic Cooperation and Development (OECD). The world is getting global so tax authorities go global.

The automatic exchange of information (AEOI)

Under AEOI, banks and other financial institutions collect and report to the tax authority information in relation to financial accounts held by residents of reportable jurisdictions. Inland Revenue Department (IRD) will exchange this information with the foreign tax authorities of those residents of reportable jurisdictions when arrangements are in place with the reportable jurisdictions concerned to provide the basis for exchange. In parallel, IRD receives financial account information on Hong Kong residents from foreign tax authorities.

Tax transparency

While the majority of overseas taxpayers comply with the reporting requirements of the tax authorities of their jurisdiction of residence, a minority may fail to do so.

AEOI will make it easier for the overseas tax authorities to know where and how much, such taxpayers have been holding assets.

It is a major step forward in terms of tax fairness. It will help governments make sure everybody pays their fair share.

Data privacy and confidentiality

Hong Kong will send out and receive data through the Common Transmission System, which is developed by the OECD.

A jurisdiction which does not comply with confidentiality standards cannot receive any data under the Common Transmission System.

The genesis of a global deal

In 2012, the OECD presented a report on the AEOI recommending future action.

The G20 showed an increased interest in putting in place a global AEOI standard, which in September 2013 led to a **formal request to the OECD to develop a common reporting standard (CRS)**. The CRS was endorsed by the G20 in September 2014. The OECD Global Forum initiated a commitment process among its members. As a result of that process, more than 100 jurisdictions have committed to implementing the CRS by 2017 or 2018.

More about AEOI

<http://www.oecd.org/tax/automatic-exchange/about-automatic-exchange/>

http://www.ird.gov.hk/eng/tax/dta_aeoi.htm

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