

**CONTROLLING OFFICER'S REPLY**

**FSTB(Tsy)022**

**(Question Serial No. 2588)**

Head: (76) Inland Revenue Department  
Subhead (No. & title): (204) Investigation Expenses  
Programme: (3) Investigation and Field Audit  
Controlling Officer: Commissioner of Inland Revenue (WONG Kuen Fai)  
Director of Bureau: Secretary for Financial Services and the Treasury

Question:

Regarding the measures being taken to combat the strategies employed by enterprises which lead to base erosion and profit shifting, please inform the Committee of:

- (A) The details of the staff establishment deployed for combating the strategies employed by enterprises which lead to base erosion and profit shifting, including the ranks (with salary points specified), the number of staff deployed, and the total cost of personal emolument involved;
- (B) The procedures required for taking actions against the strategies employed by enterprises which lead to base erosion and profit shifting; the time required for the implementation of "Country-by-Country Reporting" and the other measures.

Asked by: Hon LAM Kin-fung, Jeffrey (Member Question No. 29)

Reply:

Hong Kong indicated to the Organisation for Economic Co-operation and Development (OECD) in June last year its commitment to the implementation of the package to tackle base erosion and profit shifting (BEPS). Hong Kong is also an Associate in the inclusive framework established by the OECD for implementing the BEPS package. To take forward Hong Kong's commitment, the Financial Services and the Treasury Bureau (FSTB) and the Inland Revenue Department (IRD) conducted a consultation exercise from October to December last year to gauge stakeholders' views on the implementation of the BEPS package in Hong Kong. We plan to submit the implementation strategy and the amendment bill to the Legislative Council in the second half of this year.

As mentioned in the consultation paper published by the Government in October last year, Hong Kong's priority is to put in place the necessary legislative framework for the four

minimum standards of the BEPS package and the measures of direct relevance to their implementation, including the transfer pricing rules covering OECD's latest guidance, country-by-country (CbC) reporting requirement, cross-border dispute resolution mechanism and Multilateral Instrument.

The timetable for implementing the BEPS package is very tight. Members/Associates of the BEPS inclusive framework will develop a monitoring process for the four minimum standards and set up review mechanisms for other elements of the BEPS package. As regards CbC reporting, we plan to require relevant multinational enterprises to gather the information from 2018 onwards and file their first CbC reports to the IRD in 2019, so as to tie in with the OECD's global review in 2020.

At present, a Deputy Commissioner of the IRD is responsible for coordinating the implementation of the BEPS package and guiding the Tax Treaty Section under the IRD to perform the relevant duties. Since such duties are part of the day-to-day work of the Tax Treaty Section, the number of staff specifically deployed for the duties, their respective ranks and costs of emoluments involved and other relevant breakdowns are not available. The IRD will create 16 non-directorate posts (2 of which are time-limited posts for 5 years) in 2016-17 and 2017-18 to strengthen the relevant support for coping with the increasing workload arising from handling various initiatives on international tax cooperation (including the implementation of the Automatic Exchange of Financial Account Information in Tax Matters and the BEPS package, and the negotiation on comprehensive agreements for the avoidance of double taxation).

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