Examination of Estimates of Expenditure 2026-27

Reply Serial No.

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CONTROLLING OFFICER'S REPLY

(Question Serial No. 0497)

Head: (76) Inland Revenue Department

Subhead (No. & title): ()

Programme: Not Specified

Controlling Officer: Commissioner of Inland Revenue (Benjamin CHAN)

Director of Bureau: Secretary for Financial Services and the Treasury

Question:

It is mentioned in paragraph 108 of the Budget Speech that the Inland Revenue Ordinance will be amended for implementing the Crypto-Asset Reporting Framework (CARF). In this connection, what is the amount of provision earmarked by the Inland Revenue Department (IRD) for expenditure on upgrading information technology systems and procuring blockchain tracking or auditing tools in 2026-27?

Asked by: Hon LEE Kwong-yu (LegCo internal reference no.: 36)

Reply:

In view of the evolving financial markets and the rapid development of digital assets in recent years, the Organisation for Economic Co-operation and Development introduced the Crypto-Asset Reporting Framework (CARF) in 2023, specifying that relevant crypto-asset service providers have to report information on transactions in crypto-assets to their tax authorities. This allows tax jurisdictions to conduct automatic exchange of tax information on transactions in crypto-assets with other relevant tax jurisdictions on an annual basis. As an international financial centre and a responsible tax jurisdiction, Hong Kong has all along proactively participated in international co-operation in enhancing tax transparency and combating cross-border tax evasion. The Government will introduce legislative proposals on implementing CARF into the Legislative Council (LegCo) in 2026, such that reporting crypto-asset service providers (RCASPs) will be required to collect the information specified under CARF starting from 2027 for IRD to exchange with partner jurisdictions starting from 2028.

IRD plans to seek funding approval from the Finance Committee of LegCo for enhancing its information technology systems, including the development of a dedicated CARF portal to facilitate RCASPs' submission of relevant information to IRD. We plan to submit paper detailing the funding proposal to LegCo in the second quarter of this year. At this stage, IRD has no plans to apply blockchain technology to relevant information submitted under CARF. Therefore, IRD does not need to use blockchain tracking or auditing tools at present.

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