

Submission by Civic Party on  
Inland Revenue (Amendment) (No. 3) Bill 2017

1. Civic Party (“CP”), in principle, supports Hong Kong to comply with the international for automatic exchange of financial account information in tax matters (“**AEOI**”) as promulgated by the Organisation for Economic Co-operation and Development (“**OECD**”).
2. CP however has the following concerns regarding the Inland Revenue (Amendment) (No. 3) Bill 2017 (the “**Current Bill**”):
3. In the Legislative Council Brief (File Ref: TsyB R 183/700-6/7/0 (C)) for Inland Revenue (Amendment) 2016 (the “**Former Bill**”), which was passed by the Council in June 2016, the Administration stated that “*[W]e intend to conduct AEOI only with our partners with which we have signed comprehensive avoidance of double taxation agreement (“CDTA”) or tax information exchange agreement (“TIEA”) on a bilateral basis. We have no plan to enter into a multilateral treaty with other jurisdictions. Under such an approach, Hong Kong will rely on the bilateral CDTAs or TIEAs signed and having effect by way of Orders made under section 49(1A) of the IRO as the basis for implementing AEOI. IRD would still have to sign a new Competent Authority Agreement (“CAA”), which sets out the modalities of transfer of information collected pursuant to the AEOI standard, with the tax authority of CDTA/ TIEA partners concerned.*” (para 6 of the brief)
4. However, in the Legislative Council Brief (File Ref.: (TsyB R 183/700-6/7/0 (C)) for the Current Bill, the Administration seems to have suggested a policy change in terms of jurisdictions to be included for automatic exchange, “*[W]e propose to include 65 prospective AEOI partners and seven confirmed AEOI partner (being Belgium, Canada, Guernsey, Italy, Korea, Mexico and the Netherlands) as Hong Kong’s “reportable jurisdictions”, on top of the two already included in the list (i.e. Japan and the United Kingdom), with effect from 1 July 2017 (see Annex B). The 65 prospective AEOI partners are from the following three categories – (a) jurisdictions which expressed an interest to OECD in late 2016 in conducting AEOI with Hong Kong; (b) Hong Kong’s tax treaty partners which have committed to AEOI; and (c) all Member States of the EU.*” (para 9 of the brief)

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5. CP wishes the Administration to explain the abrupt policy change in the list of reportable jurisdictions in a short period of time (less than a year) and whether the Administration was aware of the proposed justifications of the Current Bill when it introduced the Former Bill in the Legislative Council term.
6. CP would also like the Administration to inform the Council the progress of its preparation work done so far in relation to the proposed first round of exchanges to be conducted in 2018.
7. If necessary, CP would also like the Administration to consider exchanging the relevant tax information with jurisdictions as the current law stands in the first round of exchanges in 2018, and conduct a review for the first round of exchanges before expanding the list of reportable jurisdiction.

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