

To align with the global trend – HKSAR Gov't supports AEOI

# FAQ: Common Reporting Standard

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## 1. What is CRS?

The Common Reporting Standard ("CRS") is promulgated by the Organization for Economic Co-operation and Development ("OECD") to facilitate the Automatic Exchange of Financial Account Information in tax matters ("AEOI"). It is a new information-gathering and reporting requirement for Financial Institutions (FIs) in participating jurisdictions, to help fight against tax evasion and protect the integrity of tax systems.

CRS is similar to US Foreign Account Tax Compliance Act ("FATCA") in terms of FIs being required to undertake due diligence and reporting procedures in relation to their customers. However, unlike US FATCA, CRS does not focus solely on US taxpayers. Instead, FIs must report on tax residents of all reportable jurisdictions.

## 2. Why is CRS relevant to Hong Kong?

The Hong Kong government passed the Inland Revenue (Amendment) (No.3) Ordinance 2016 ("Amendment Ordinance") which come into effect on 30 June 2016 to provide the legal framework for implementing AEOI in Hong Kong. FIs in Hong Kong are required to identify the jurisdiction(s) of tax residence of their customers (both individuals and entities). If the customers are identified as being tax resident of any reportable jurisdiction, FIs will need to report certain account information (see FAQ below) to the Hong Kong Inland Revenue Department ("HKIRD") which will then exchange the information with the tax authorities of relevant jurisdiction.

## 3. How is CRS relevant to me?

If you have assets or income outside of the jurisdiction that you are tax resident in, then you should be aware that a range of financial information may be shared with your jurisdiction of residence. Over 100 jurisdictions across the world have agreed to share financial information starting from 2017 or 2018 under CRS, and some information that will be shared has already been collected.

## 4. What do I need to do?

If you are confident that your tax affairs are up to date and compliant for your jurisdiction of residence, then you do not need to worry. Where you are unsure about your tax liabilities, we recommend that you seek advice from a tax professional as soon as possible, to check that your tax affairs are in order and find out whether you need to act now to update your tax affairs.

<b>5. Why must I provide self-certification form?</b>	The bank is required under the Amendment Ordinance to collect self-certification forms from you as part of the due diligence procedures.
<b>6. What is a self-certification?</b>	This is a formal declaration that the customer makes in connection with his/her tax residence.
<b>7. Who should provide the self-certification?</b>	If you are the account holder(s) of an individual or entity account, or a new customer opening an account in our bank, you may be requested to provide the Bank a self-certification.
	If the holder of an entity account is classified as Passive NFE, we may request all controlling person(s) of the Passive NFE to provide a controlling person self-certification.
<b>8. What should be provided if account holders involves more than one party?</b>	For joint account holders, each individual or entity account holder should complete and provide to the Bank a separate self-certification form.
	For partnership account, it is treated as an entity account. The partnership should provide an entity self-certification form which is signed by all partners of a partnership unless otherwise specified.
<b>9. Why must I provide tax residency (ies)?</b>	The bank is authorised by the Amendment Ordinance to apply due diligence procedures to identify the tax residency of the customers and controlling persons. Therefore, tax residency is required to be provided.
<b>10. Can I avoid CRS due diligence requirements by switching to another bank?</b>	As long as the FI, including a bank, insurer or an asset management company, is located in a participating country (e.g. Hong Kong), it is required to be compliant with the CRS requirements and similar information will be requested from you.
<b>11. How do I determine my tax residency (ies)?</b>	It depends on where you live and your circumstances. Please note that the bank cannot offer tax advice, notably the determination of tax residency or CRS status. For any tax related questions, you should seek advice from professional legal and/or tax advisors, or check the OECD website for more information.
	<p>OECD – Rules governing tax residence:  <a href="http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-residency/">http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-residency/</a></p>
<b>12. What information are Financial Institutions required to collect and report?</b>	<p>Information required to be collected and reported for CRS purpose is:</p> <ul style="list-style-type: none"> <li>• Name</li> <li>• Address</li> <li>• Date of Birth (for Individual and Controlling Persons)</li> <li>• Country(ies) of tax residence</li> <li>• Taxpayer Identification number(s) (TIN)</li> <li>• CRS Entity Type (for entities)</li> <li>• Controlling Person Type (for Passive NFE)</li> </ul>
	In addition to the information provided in the self-certification form, account balances and the total amount of interest and certain other payments made are also reportable.
<b>13. Is my data privacy respected?</b>	The bank respects your data privacy highly and will only disclose your information to the HKIRD when the bank is legally required to do so.

#### 14. What does TIN stand for?

Tax Identification Number, which is used by a tax authority to identify its tax residents. In Hong Kong,

- TIN is the Hong Kong Identity Card number for an individual.
- TIN is the Business Registration number for a Hong Kong entity.

#### 15. Will my information be reported if I only have Hong Kong tax residency?

If you are not a tax resident in any territory outside Hong Kong, the bank is not required to report your financial account information to HKIRD.

#### 16. What if there is a change of circumstances that affect my information?

You should notify us of any change of circumstances which may affect your tax residency status, or causes the information on a self-certification form to become incorrect. You should provide an updated self-certification form within 30 days of such change of circumstances.

#### 17. What are the CRS Participating Jurisdictions?

Please refer to the following for a full list of participating jurisdictions, as well as the dates that they start exchanging information.

<http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/crs-by-jurisdiction/>

#### 18. What is a Passive NFE?

Passive NFE is a Non-Financial Entity that is not an Active NFE.

An entity would be classified as an Active NFE by reference to the income and asset test:

- Less than 50% of the NFE's gross income for the preceding calendar year is derived from passive income, and
- Less than 50% of assets held by the NFE during the preceding calendar year are assets that produce passive income.

#### 19. What is passive income?

Passive income consists of the following:

- Dividends;
- Interest;
- Income equivalent to interest;
- Rents and royalties;
- Annuities;
- Excess of gains over losses from sale of properties that give rise to passive income previously
- Excess of gains over losses from transactions in any financial assets
- Excess of foreign currency gains over foreign currency losses
- Net income from swaps;
- Amount received under cash value insurance contracts

#### 20. Will individual account holders be sanctioned?

It is an offence for a person to provide, knowingly or in a reckless manner, misleading, false or incorrect information in a material particular, in making a self-certification to Fls. The penalty is HK\$10,000.

Where can you find further information and advice?

For further information on tax residency, please refer to the rules governing tax residency that have been published by HKIRD. You may also find out more at the OECD AEOI portal (<http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance>) or the IRD AEOI portal ([http://www.ird.gov.hk/eng/tax/dta\\_aeoi.htm](http://www.ird.gov.hk/eng/tax/dta_aeoi.htm)).