

Revenue division
Financial Services and the Treasury Bureau
24/F., Central Government Offices,
2 Tim Mei Avenue, Hong Kong.

14th November 2014

Dear Sir \ Madam,

Automatic Exchange of Information for Tax Purpose (AEOI)

We refer to your letter dated 24 September 2014 on the abovementioned subject.

We understand that the OECD invites all its member jurisdictions to obtain detailed financial account information from their financial institutions and exchange that information automatically with jurisdictions of residence of account holders on an annual basis. 65 jurisdictions, including China, Singapore and Switzerland, have already committed publicly to the implementation of the new global standard. Hong Kong could not afford to be perceived as an uncooperative jurisdiction, which may run the risk of affecting our international reputation and competitiveness as an international financial and business centre. ACCA Hong Kong considers that committing to the AEOI standards is an important element to reinforce Hong Kong's position as an international financial centre.

However, on the other hand, ACCA Hong Kong appreciates the concerns of the public regarding the confidentiality of taxpayers' information which may undermine investors' confidence in Hong Kong.

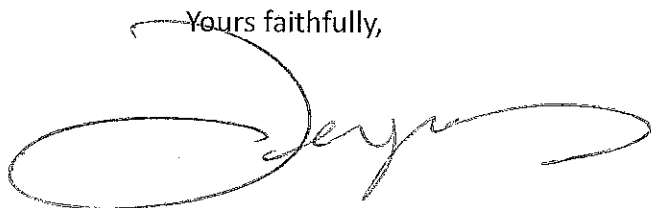
In view of the above, ACCA Hong Kong support the implementation of automatic exchange of information for tax purpose on the conditions that:

1. There should be safeguards in place to ensure adequate protection of taxpayers' right and the confidentiality of their tax affairs and proper use of the information. A proper mechanism should be available to allow taxpayers to review or amend the information prior to the transfer; and also allow objections where taxpayers feel their rights are being infringed upon. We note that currently there are safeguards stated in the IRD's Departmental Interpretation and Practice Notes No 47;

2. Jurisdictions with whom the information would be exchanged are strictly restricted to those of residence of the account holders only;
3. Detailed guidelines for defining tax residence should be available to assist the account holders in declaring and reporting their tax residence accurately;
4. Detailed guidelines should be issued regarding reporting for passive entities, nominees, agents and beneficial owners;
5. Penalties regarding non-compliance or improper compliance should be more lenient than that currently stipulated in the IRO;
6. Financial institutions should be able to rely on the assumption that the declarations of the account holders, in particular their tax residence, are made in good faith. Responsibility of verifying the correctness of the information declared should not lie with the financial institutions;
7. Information to be exchanged should be presented in pre-designed return formats and languages with no further requirement of translations to avoid possible distortions and increase in manpower resources of the IRD;
8. The Hong Kong SAR should invest sufficient resources, including secure and efficient transmission systems, to ensure proper implementation of the above safeguards and commitments.

Should the Department have any questions or would like to further discuss the above issues, please do not hesitate to contact the undersigned at 2524 4988.

Yours faithfully,



Fergus Wong
Chairman