

Hong Kong conducts compulsory spontaneous exchange of information for certain tax rulings

EY Tax News Update: Global Edition

EY's Tax News Update: Global Edition is a free, personalized email subscription service that allows you to receive EY Global Tax Alerts, newsletters, events, and thought leadership published across all areas of tax. Access more information about the tool and registration [here](#).

Also available is our [EY Global Tax Alert Library](#) on ey.com.

Hong Kong's Inland Revenue Department (IRD) recently issued a revised practice note (Revised DIPN 31) which explains that the IRD is now required to spontaneously furnish to the tax authorities of certain foreign jurisdictions any of the following four categories of tax rulings issued by the IRD:

- (i) Rulings related to preferential tax regimes¹
- (ii) Unilateral Advance Pricing Arrangements and any other cross-border unilateral rulings in respect of transfer pricing
- (iii) Permanent establishment (PE) rulings
- (iv) Related party conduit rulings

IRD rulings on offshore claims in Hong Kong are not in-scope rulings

Revised DIPN 31 indicates that tax rulings in respect of Hong Kong offshore claims are not in-scope rulings that are required to be spontaneously exchanged as they do not fall within the four specified categories.

Jurisdictions to be provided with in-scope tax rulings

Information on in-scope tax rulings will be spontaneously exchanged by the IRD to the tax authorities of the resident jurisdictions of all of the following:

- (i) All related parties² with which the taxpayer has entered into a transaction for which a ruling is granted. In the case of a PE ruling, the ruling is required to be exchanged with the residence jurisdiction of the head office or the jurisdiction of the PE, as the case may be
- (ii) The taxpayer's ultimate parent company
- (iii) The taxpayer's immediate parent company

Legal framework for exchange of in-scope tax rulings

In-scope rulings can be exchanged within the framework of either: (i) Hong Kong's network of tax treaties; or (ii) the Multilateral Convention on Mutual Administration Assistance on Tax Matters.

Endnotes

1. Hong Kong currently operates the following preferential tax regimes: (1) profits tax concession for corporate treasury centers; (2) profits tax concession for professional reinsurers; (3) profits tax concession for captive insurers; (4) profits tax exemptions for ship operators; and (5) profits tax concessions for aircraft lessors and aircraft leasing managers.
2. The threshold for determining related parties has been set at 25%. That means, two parties would be considered related if the first person has a 25% or greater investment in the second person or there is a third person that holds a 25% or greater investment in both.

For additional information with respect to this Alert, please contact the following:

Ernst & Young Tax Services Limited, Hong Kong

- ▶ David Chan david.chan@hk.ey.com
- ▶ Paul Ho, *Financial Services* paul.ho@hk.ey.com

Ernst & Young LLP (United States), Hong Kong Tax Desk, New York

- ▶ Rex Lo rex.lo1@ey.com

Ernst & Young LLP (United States), Asia Pacific Business Group, New York

- ▶ Chris Finnerty chris.finnerty1@ey.com
- ▶ Bee-Khun Yap bee-khun.yap@ey.com

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

© 2020 EYGM Limited.
All Rights Reserved.

EYG no. 003123-20GbI

1508-1600216 NY
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax, or other professional advice. Please refer to your advisors for specific advice.

ey.com