



Dear Valued Client

**Common Reporting Standard ("CRS") for the Automatic Exchange of Financial Account Information ("AEOI") for Tax Reporting Purposes**

Recently, over 100 jurisdictions, including the Government of the Hong Kong SAR, have committed to the implementation of AEOI for tax reporting purposes based on the CRS released by the Organisation of Economic Cooperation and Development ("OECD") in July 2014. AEOI is a new international standard for combating tax evasion, which involves the transmission of financial account information from Hong Kong to an overseas tax jurisdiction with which Hong Kong has entered into an AEOI agreement. While some jurisdictions introduced CRS on January 1, 2016, Hong Kong will implement CRS on January 1, 2017 and commence the first information exchange in 2018.

Citibank strives to best protect the integrity of our tax system. We have put in place a robust program to support the implementation of CRS and to assist our customers to comply with the relevant laws and regulations.

Pursuant to the Inland Revenue (Amendment) (No.3) Ordinance 2016 ("the Amendment Ordinance"), which came into effect on June 30, 2016, Financial Institutions ("FIs") are required to identify the jurisdiction(s) of tax residence of their account holders (including individuals and corporate entities). If the account holders are identified to be tax residents of any CRS reportable jurisdiction, FIs are required to report certain account information (i.e. name, address, date and place of birth, jurisdiction of residence, tax identification number, account balance and certain income, etc.) to the Hong Kong Inland Revenue Department ("IRD") which will then exchange the information with the tax administration of the relevant jurisdictions. If Hong Kong is your sole tax residence, your financial account information will not be reported to the IRD.

In respect of our existing customers (i.e. accounts opened before January 1, 2017), the bank may require the account holder to submit a self-certification if it has doubts about his/her tax residency based on our system record. Under the CRS framework, self-certification is a formal declaration that the account holder makes in connection with his/her tax residence. All new customers (i.e. accounts opened on or after January 1, 2017) will be required to complete self-certification upon account opening.

For an overview of the AEOI and CRS requirements, please refer to the enclosed Frequently Asked Questions or visit the IRD website: [http://www.ird.gov.hk/eng/tax/dta\\_aeoi.htm](http://www.ird.gov.hk/eng/tax/dta_aeoi.htm) . If you are not sure about your tax residence, you are recommended to seek advice from professional tax advisers.

In connection with the implementation of the AEOI, we have updated our Policy Statement relating to the Personal Data (Privacy) Ordinance ("Policy Statement"), please access the latest Policy Statement through our website [www.citibank.com.hk/dataprivacy](http://www.citibank.com.hk/dataprivacy) for your reference, and we would like to draw your attention to Clause (d)(x).

Thank you for your cooperation and understanding. If you have any enquiry, please contact our Citiphone banking hotline at (852) 2860-0333.

Yours faithfully

Citibank (Hong Kong) Limited

## FAQs

### 1. What is the automatic exchange of financial account information ("AEOI")?

AEOI is a new system that involves the transmission of financial account information from Hong Kong to an overseas tax jurisdiction with which Hong Kong has entered into an AEOI agreement (or known as an "AEOI partner"). The information relates only to the tax residents of the jurisdiction of the AEOI partner.

### 2. Why does Hong Kong have to implement AEOI?

Exchanging financial account information on an automatic basis is a new international standard, designed to enhance tax transparency and combat cross-border tax evasion. Members of the international community have been advocating AEOI as a more efficient mode of international tax cooperation and have made it a new global standard. The Organisation for Economic Cooperation and Development ("OECD") released in July 2014 the Standard for Automatic Exchange of Financial Account Information in Tax Matters, calling on governments of all jurisdictions to obtain relevant financial account information from their financial institutions and exchange that information automatically with jurisdictions of residence of account holders on an annual basis. As at 26 July 2016, more than 100 jurisdictions around the world have committed to the implementation of AEOI.

As a responsible international citizen and a leading financial center, Hong Kong indicated in September 2014 our commitment to implement AEOI.

The Inland Revenue (Amendment) (No. 3) Ordinance 2016 ("the Amendment Ordinance"), which commenced operation on 30 June 2016, has put in place a legislative framework for Hong Kong to implement AEOI. To deliver the commitment, Hong Kong will commence the first exchanges by the end of 2018.

### 3. Who will be the reportable persons for AEOI?

A financial institution located in Hong Kong will identify the financial accounts held by individuals or entities liable to tax by reason of residence in an AEOI partner jurisdiction. The financial institution will collect and furnish to the Inland Revenue Department ("IRD") account information of the account holders who have been identified as reportable persons. IRD will then transmit the information to the tax administration of the relevant jurisdiction of which the account holder is tax resident.

### 4. If I am a tax resident of an AEOI partner jurisdiction and hold a financial account at one of the financial institutions in Hong Kong, what information will be exchanged?

As far as personal data is concerned, the information to be exchanged includes name, address, jurisdiction of residence, taxpayer identification number ("TIN"), and the date and place of birth. As for financial account data, it includes account number, account balance or value (year-end), gross amount of interest, dividends and sale proceeds of financial assets as appropriate for the year concerned.

### 5. How will individuals and entities be affected by AEOI?

Reporting financial institutions will be liable for reporting on financial accounts held by reportable persons. Hong Kong taxpayers who are not tax residents of any territory outside Hong Kong will not be reported. The Inland Revenue Ordinance ("IRO") requires the reporting financial institutions to apply due diligence procedures to collect all required information and documentation from account holders. To identify reportable persons, reporting financial institutions may ask account holders to complete self-certification forms for verification of their tax residency status. The self-certifications will be kept by the reporting financial institutions for a period of six years.

### 6. What is a self-certification?

This is a formal declaration that the account holder makes in connection with his/her tax residence.

According to the due diligence procedures set out in the Amendment Ordinance (which are based on the international standard required), self-certifications would be required from account holders for all new accounts (i.e. accounts opened on or after January 1, 2017). As for pre-existing accounts (i.e. accounts opened before January 1, 2017), if a reporting financial institution has doubts about the tax residence of an account holder, it can seek a self-certification from the account holder to verify its tax residence.

If the account holder has doubts about his/her tax residence, he/she may consider seeking professional advice.

You can find more information regarding the tax laws of different jurisdictions for defining tax residence on the OECD's AEOI portal. The website address is [www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-residency/#d.en.347760](http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-residency/#d.en.347760).

In making a self-certification to a reporting financial institution, an account holder who knowingly or recklessly provides misleading, false or incorrect statement shall be liable on conviction to a fine at level 3 (HK\$10,000). The IRD may check the details of the self-certification, if necessary.

### 7. Why am I being asked by a reporting financial institution to provide my tax residency in the self-certification?

Under the Amendment Ordinance, reporting financial institutions are required to apply the due diligence procedures to identify the tax residency of the account holders and controlling persons for the purpose of AEOI. Therefore an account holder is required to provide his tax residency to a reporting financial institution.

**8. I am a Hong Kong permanent resident and do not hold any foreign passports and only have tax liability in Hong Kong. Do I need to provide a self-certification to a reporting financial institution when opening a new account? Do I need to provide a self-certification to a reporting financial institution for my pre-existing accounts?**

According to the due diligence procedures set out in the Amendment Ordinance, account holders have to provide self-certifications to the reporting financial institution in respect of their personal information, including tax residence, for all new accounts. For pre-existing accounts, financial institutions will be required to conduct due diligence procedures to identify and verify the tax residence of the account holders. In case of doubt, self-certification from account holders will be sought. Furthermore, financial institutions can opt to apply the due diligence procedures of new accounts to pre-existing accounts. In other words, an account holder may have to provide a self-certification to a reporting financial institution regarding the pre-existing accounts.

**9. What if there are changes in circumstances that affect my tax residency?**

Account holders should advise the reporting financial institutions of any change in circumstances which affects their tax residency status or causes the information contained in a self-certification to become incorrect. Generally, account holders should provide financial institutions with a suitably updated self-certification form within 30 days of such change in circumstances.

**10. How will I know whether or not I am a tax resident of an overseas jurisdiction?**

In general, whether or not an individual or entity is a tax resident of a jurisdiction is determined by having regard to the person's physical presence or stay in a place (say, whether over 183 days within a tax year) or, in the case of a company, the place of incorporation or where the central management and control of the entity lies. That a person has paid taxes charged by a jurisdiction (say, value-added tax, withholding tax or capital gains tax) does not automatically render that person a tax resident of that jurisdiction.

You can find more information regarding the tax laws of different jurisdictions for defining tax residence on the OECD's AEOI portal. The website address is as follows: <http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-residency/#d.en.347760>.

**11. Does the IRO specify who are tax residents of an overseas jurisdiction? How can a financial institution know and identify the tax residence of their account holders?**

Each jurisdiction has its specific definition of tax residence. Tax laws may differ amongst jurisdictions and the tax residence of individual account holders may change from one year to another. Individual account holders ought to verify and update their tax residence and seek legal advice if necessary.

For new accounts, financial institutions will seek self-certification from account holders in respect of their personal information, including tax residence. For pre-existing accounts, financial institutions will be required to conduct due diligence procedures to identify and verify the tax residence of the account holders. In case of doubt, self-certification from account holders will be sought.

**12. I am a Hong Kong permanent resident and do not hold any foreign passports and only have tax liability in Hong Kong. Will my information be reported by financial institutions to other jurisdictions under the AEOI regime?**

If you are not a tax resident in any territory outside Hong Kong, financial institutions are not required to report and should not report your financial account information to the IRD for transmission to any tax administration outside Hong Kong.

**13. If I am a reportable person, how can I find out what information about my financial account the IRD has reported to another jurisdiction? Can I object to the financial institution for releasing my information to the IRD?**

The IRO imposes legal obligations on financial institutions to establish and apply due diligence procedures to identify tax residents of territories outside Hong Kong for AEOI purposes and collects specified information for submission to the IRD.

Financial institutions are expected to observe requirements under the Personal Data (Privacy) Ordinance. For instance, they should inform the account holders of the purpose of use of the personal data for AEOI. They should take all practicable steps to ensure the accuracy and security of the personal data. Account holders are entitled to request access to and correction of their personal data. In case an individual refuses to allow the financial institution to release his or her personal data for AEOI purposes, the financial institution may have to consider whether or not the account should be maintained.