

## Fact Sheet for Automatic Exchange of Financial Account Information (“AEOI”)

Effective from 1/1/2017

1. What is AEOI?

AEOI is a new system / mechanism designed to enhance tax transparency and combat cross-border tax evasion. As a responsible international citizen and a leading financial centre, Hong Kong will commence the first information exchanges by the end of 2018, which involves the transmission of information of the identified reportable persons and the financial account information from Hong Kong to a non-HK tax jurisdiction with which Hong Kong has entered into an AEOI agreement (AEOI partner). The information relates only to the tax residents of an AEOI partner jurisdiction.

2. What is the requirement of the Inland Revenue (Amendment) (No. 3) Ordinance 2016 (“the Amendment Ordinance”)?

According to the requirement of the Amendment Ordinance, Chong Hing Securities Limited (“the Company”) has to put in place the due diligence procedures in order to identify and collect information of the relevant financial account on or after 1 January 2017. For pre-existing accounts (i.e. accounts opened before 1 January 2017), the Company may use information on file for the account holders to determine their tax residence. The Company may also contact the account holders for further information (including but not limited to providing self-certification) or verification of the information held.

3. Who will be the reportable persons for AEOI?

The Company will identify the financial accounts held by individuals, entities and/or its controlling persons [applicable to Passive Non-Financial Entity (NFE) only] liable to tax by reason of residence in the AEOI partner jurisdictions. The Company will collect and furnish to Inland Revenue Department, Hong Kong (IRD) information of the identified reportable persons and the financial account information on an annual basis. IRD will then transmit the information to the tax administration of the relevant jurisdiction of which the reportable person is a tax resident.

4. What is a self-certification?

This is a formal declaration that the account holder and/or its controlling person (applicable to Passive NFE only) makes in connection with his/her/its 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 and/or its controlling person (applicable to Passive NFE only) for all new accounts (i.e. accounts opened on or after 1 January 2017). As for pre-existing accounts (i.e. accounts opened before 1 January 2017), if the Company has doubts about the tax residence of an account holder and/or its controlling person (applicable to Passive NFE only), it can seek a self-certification from the account holder and/or its controlling person (applicable to Passive NFE only) to verify his/her/its tax residence. If the account holder and/or its controlling person (applicable to Passive NFE only) has doubts about his/her/its tax residence, he/she/it may consider seeking professional advice. In Organisation of Economic Cooperation and Development’s (OECD) AEOI portal, you can find more information regarding the tax laws of different jurisdictions for defining tax residence. The website address is:  
<http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-residency/#d.en.347760>.

5. 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 the Company when opening a new account? Do I need to provide a self-certification to the Company for my pre-existing accounts?

According to the due diligence procedures set out in the Amendment Ordinance, which are based on the international standard required, account holders have to provide self-certifications to the Company in respect of their personal information, including tax residence, for all new accounts. For pre-existing accounts, the Company 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.

6. How will I know whether or not I am a tax resident of a non-HK 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. The fact 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. In OECD’s AEOI portal, you may find more information regarding the tax laws of different jurisdictions for defining tax residence. The website address is as follows:

<http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance/tax-residency/#d.en.347760>

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

Account holders should advise the Company 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 the Company with a suitably updated self-certification form within 30 days of such change in circumstances.

8. Will the IRO specify who are tax residents of an jurisdiction? How can the Company know and identify 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 professional advice if necessary. For new accounts, the Company will seek self-certification from account holders in respect of their personal information, including tax residence. For pre-existing accounts, the Company 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.

9. 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 the Company to other jurisdictions under the AEOI regime?

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

10. I stay and work full-time in Country A, while my spouse is a Hong Kong permanent resident and works in Hong Kong. We have maintained a joint account in the Company. Will the Company need to declare my spouse's information to IRD for onward transmission to the tax authority of Country A if Hong Kong signed an AEOI agreement with Country A in future?

If you are a tax resident of Country A in accordance with its tax law, the Company will report information in the joint account (in entirety, with no apportionment) to IRD for transmission under AEOI to the tax administration of Country A. The Company is not required to report the information of your spouse who is not a tax resident in any territory outside Hong Kong.

11. I am a Hong Kong permanent resident and live and work in Hong Kong. I bought a property for self-residence in Country B and hold an account in the Company. Will the Company need to provide my financial account information to IRD for transmission to the tax authority of Country B if it becomes an AEOI partner of Hong Kong?

Provided that you are not a tax resident of Country B under its tax laws, the ownership of a property in Country B and your liability to pay capital gains tax of Country B alone will not automatically render you a tax resident of Country B. Non-Hong Kong tax residents are advised to seek professional advice if in doubt.

12. If I am a tax resident of an AEOI partner jurisdiction and hold a financial account at the Company, 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 the account number, account balance or value (year-end), and the gross amount of interests, dividends and sale proceeds of financial assets as appropriate for the year concerned.

13. If I am a reportable person, how can I know what information of my financial account that IRD has reported to other jurisdiction? Can I object to the Company for releasing my information to IRD?

The Inland Revenue Ordinance imposes legal obligation on the Company to establish and apply due diligence procedures to identify tax residents of territories outside Hong Kong for AEOI purpose and collect specified information for submission to IRD. The Company is expected to observe requirements under the Personal Data (Privacy) Ordinance and other legal / regulatory requirements concerned. For instance, the Company should inform the account holders of the purpose of use of the personal data for AEOI. The Company 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 Company to release his personal data for AEOI purpose, the Company may have to consider whether or not the account should be maintained.

The Chinese version of this Fact Sheet is provided for reference purpose only, and those of the English version shall prevail in case of any conflict between the English and Chinese versions.