

A decorative graphic consisting of two overlapping orange parallelogram shapes, one shifted to the right and up relative to the other.

Bill to strengthen Hong Kong's CRS administrative framework introduced

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Issue 3

In brief

Following the consultation conducted from December 2025 to early February 2026 on the implementation of the Crypto-Asset Reporting Framework (CARF) and the amended Common Reporting Standard (CRS) in Hong Kong¹, the legislative bill proposing changes to the CRS regime (Bill)² was gazetted on 27 March 2026. The Bill seeks to strengthen the administrative framework for the automatic exchange of tax information (AEOI) under the CRS, in response to the latest OECD peer review comments.

The proposed amendments focus on three areas: mandatory registration for reporting financial institutions (RFIs), updated record-keeping obligations and strengthened sanctions for non-compliance. The Government aims to secure passage of the Bill by the end of June 2026 to meet the deadline set by the OECD. The relevant amendments will take effect on 1 January 2027. While the Bill's current scope is limited to the implementation of these administrative measures in relation to CRS, these provisions are expected to establish the precedent for the future rollout of CARF.

It should be noted that the amendments proposed under the Bill relate solely to the strengthening of the administrative framework for CRS. Separately, enhanced requirements on due diligence and reporting under the amended CRS (commonly referred to as 'CRS 2.0') are expected to take effect from 1 January 2028. RFIs should therefore be mindful that the current Bill represents only the first phase of a broader set of changes to Hong Kong's AEOI regime, and should begin planning ahead for the more substantive operational changes that CRS 2.0 will introduce.

This news flash outlines the changes proposed under the Bill and sets out our observations.

In detail

Background

Developed by the OECD in 2014 and implemented in Hong Kong in 2016 through its incorporation into the Inland Revenue Ordinance (IRO), the CRS requires Hong Kong RFI to apply due diligence procedures to identify reportable accounts held by tax residents of reportable jurisdictions, collect the required information, and furnish returns containing that information to the Inland Revenue Department (IRD). The IRD then exchanges that information annually with its AEOI partner jurisdictions.

The immediate driver for the Bill is the OECD's second-round peer review of Hong Kong's AEOI regime, which has been underway since 2024. In that review, the OECD commented that Hong Kong's identification of its RFI population was inadequate and that the existing penalty scale and enforcement mechanisms lacked sufficient deterrent effect. The OECD has imposed a strict deadline of 30 June 2026 for jurisdictions under review to report on implementation progress before issuing the final assessment report. The Government indicated that, absent a favourable rating, Hong Kong risks being treated by other jurisdictions as an uncooperative tax jurisdiction, which could result in defensive tax measures and reputational damage to Hong Kong as an international financial centre.

In formulating the Bill, the Government took into account feedback received during the consultation exercise. A separate bill is expected to be introduced later this year to implement the CARF and amended CRS regimes in Hong Kong. The administrative measures introduced in the current Bill for CRS are expected to be largely mirrored in that later bill for the rollout of CARF.

Proposed amendments to Hong Kong's CRS administrative framework

Proposal 1: Mandatory registration for RFIs

Currently, only RFIs that maintain reportable accounts are required to register on the AEOI Portal and notify the IRD for reporting purposes. RFIs without reportable accounts are not required to do so. As a result, the IRD cannot identify the full population of RFIs in Hong Kong.

The Bill proposes to require all RFIs in Hong Kong to register on the AEOI Portal for CRS reporting purposes, regardless of whether they have any information to report. That said, this requirement will not apply to an RFI if the relevant CRS data, including nil reporting, is already reported by another RFI³.

The consultation paper originally proposed a registration deadline of 31 January 2027 for existing RFIs. Taking into account stakeholder feedback, the Bill now proposes extending that deadline to 31 March 2027. FIs that become RFIs on or after 1 January 2027 will be required to register by 31 January of the year following the calendar year in which they first become RFIs.

In addition, the Bill proposes to remove the existing requirement for an RFI to notify the IRD separately of the commencement, cessation or recommencement of maintaining reportable accounts, on the basis that the proposed mandatory registration requirement would render those separate notification obligations unnecessary.

Our observations

We welcome the proposed extension of the registration deadline for existing RFIs to 31 March 2027 and the removal of separate commencement, cessation and recommencement notifications. Together, these changes should give RFIs additional

time to familiarise themselves with the new requirements, while streamlining the compliance framework and reducing their administrative burden.

We are also pleased that, to simplify the process for RFIs without reportable accounts, the IRD will explore enhancing the AEOI Portal login mechanism so that RFIs and their service providers may access the portal through the IRD's New Tax Portals, rather than being required to complete a separate registration process.

Proposal 2: Updated record-keeping obligations

The current CRS regime requires RFIs to keep due diligence records for six years from the completion of due diligence procedures, and to retain sufficient records to establish the correctness and accuracy of CRS returns for six years from the date the returns are furnished.

To address situations where RFIs have not duly furnished the return, the Bill proposes to refine the record-keeping period so that records must be kept for six years after (i) the end of the calendar year to which the evidence or records relate, or (ii) the due date by which the return is required to be furnished, whichever is later.

In addition, the Bill proposes new record-keeping requirements specifically relating to the cessation or dissolution of RFIs:

- An entity that ceases to be an RFI but is not dissolved remains subject to the record-keeping requirements and must notify the IRD within one month after ceasing to be an RFI, as well as of any subsequent change in its contact details.
- Every person who was a director of the RFI immediately before its dissolution or, if there was no director, a trustee or person who was responsible for the management must (i) ensure that sufficient records are kept until the end of the abovementioned six-year retention period; and (ii) notify the IRD within one month of the dissolution and of any subsequent change in their contact details.

Our observations

In our submission to the Government, we submitted that former directors or their equivalents of dissolved RFIs should not be personally responsible for record-keeping after dissolution, given the practical difficulties and the sensitivity of the data involved. We also noted that no other jurisdiction implementing CRS appears to impose a similar requirement, and proposed that a liquidator or custodian should instead be required to be engaged to comply with the record-keeping obligations during the remainder of the retention period, with no additional record-keeping requirements being imposed on former directors or equivalents.

The Government has partially adopted this suggestion. The Legislative Council (LegCo) brief indicates that directors or their equivalents may appoint a designated third-party custodian to fulfil the record-keeping obligation for dissolved RFIs. However, such an appointment does not relieve them of their own record-keeping responsibility. In other words, they may still be held personally liable for non-compliance unless they can demonstrate a reasonable excuse.

Whilst we welcome the fact that the current draft partially reflects our suggestion, we remain concerned about this provision given former directors or their equivalents remain exposed to personal liability. We will continue to advocate to LegCo for its full adoption of our suggestion.

Proposal 3: Strengthened sanctions for non-compliance

The Bill introduces new sanctions in respect of RFIs' non-compliance with relevant obligations without reasonable excuse. It also increases the penalties for certain existing offences by linking the calculation of the maximum penalty for the offence concerned to the number of financial accounts involved in that offence. These strengthened penalties are intended to enhance deterrence. Please refer to the **Appendix** for a summary of the key proposed penalties for new offences and proposed penalty changes for existing offences, as reproduced from the LegCo brief.

Additionally, the Bill introduces a financial penalty mechanism modelled on the 'additional tax' mechanism for certain cases under the profits tax regime. Where an RFI commits certain offences without reasonable excuse, it may be liable to a financial penalty, provided that no prosecution has already been initiated on the same facts. RFIs will have the right to make written representations before an assessment is made and the right to appeal against the assessment to the Board of Review. The stated aim is to improve the timeliness and cost-effectiveness of penalty actions.

Our observations

The Government is determined to strengthen the current penalty framework to achieve effective deterrence. It rejected both calls for a cap on penalties calculated on a per-financial-account basis and proposals for a soft-landing period for first-time administrative oversights, unintentional delays and errors.

That said, the Government indicates that penalties will be assessed on a case-by-case basis, having regard to the nature and seriousness of each non-compliance case. RFIs will have the opportunity to explain their case to the IRD, which will determine the appropriate penalty in light of the circumstances. The Government also indicates that the IRD will provide further guidance and support to facilitate compliance.

Legislative timetable

Subject to the LegCo's scrutiny of the Bill, the current target is for the Bill to be passed by the end of June 2026, with the amendments taking effect on 1 January 2027.

The takeaway

With enactment targeted by the end of June 2026 and commencement proposed for 1 January 2027, RFIs should begin reviewing their readiness for the new requirements. In particular, they should confirm that all in-scope entities have been identified, ensure that portal access and reporting arrangements remain fit for purpose, and update record-retention policies to align with the proposed requirements under the Bill.

It should be noted that the amendments proposed under the Bill relate solely to strengthening of the administrative framework for CRS. Separately, enhanced requirements on due diligence and reporting under the CRS 2.0 are expected to take effect from 1 January 2028. RFIs should therefore be mindful that the current Bill represents only the first phase of a broader set of changes to Hong Kong's AEOI regime, and should begin planning for the more substantive operational changes that CRS 2.0 will introduce. Please contact us if you would like assistance in preparing for these changes.

Endnotes

1. Our new flash on the consultation, and the Government's consultation paper, can be accessed via these links:
<https://www.pwchk.com/en/services/tax/publications/hongkongtax-news-dec2025-12.html>
[https://www.fstb.gov.hk/tb/en/others/CARF_Consultation_Paper_\(Eng\)_finalised_\(cln\).pdf](https://www.fstb.gov.hk/tb/en/others/CARF_Consultation_Paper_(Eng)_finalised_(cln).pdf)
2. The Bill and the LegCo brief can be accessed via these links:
<https://www.legco.gov.hk/yr2026/english/bills/b202603271.pdf>
https://www.legco.gov.hk/yr2026/english/brief/tsybr200800330c_20260325-e.pdf
3. For example, CRS data is reported by the trustee for a trustee-documented trust (TDT), by the umbrella fund for a sub-fund, and by the pooling agreement or approved pooled investment fund for a participating scheme. In other words, each sub-fund, scheme or TDT is not required to register separately for CRS purposes.

Let's talk

For a deeper discussion of how this impacts your business, please contact:

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Appendix

Key new offences and penalties proposed under the Bill

Offences	Existing penalties	Proposed penalties
(1) For offences committed by RFIs without reasonable excuse:		
(a) failure to register an account in the AEOI Portal*	N/A	Liable to a fine at level 3 (HK\$10,000), and a further fine of HK\$500 for each day of continuing offence after conviction
(b) providing incorrect or incomplete information when furnishing returns, statements or information*	N/A	Liable to a fine at level 3 (HK\$10,000) or HK\$1,000 for each financial account involved, whichever is higher
(c) failure to notify IRD of the discovery of misleading, false or inaccurate information when furnishing statements or information*	N/A	
(d) failure to establish, maintain and carry out due diligence procedures (i.e. currently under section 80B(1)(a)(i) of IRO)	Liable to a fine at level 3 (HK\$10,000)	Liable to a fine at level 3 (HK\$10,000) or HK\$1,000 for each financial account involved, whichever is higher (new penalty calculated based on the number of financial accounts involved)
(e) failure to notify IRD of the discovery of misleading, false or inaccurate information in a return (i.e. currently under section 80B(6)(b) of IRO)		
(2) For offences committed by entities that cease to be RFIs without reasonable excuse:		
(a) failure to notify IRD of cessation of being an RFI within a specified timeframe*	N/A	Liable to a fine at level 3 (HK\$10,000)
(b) failure to notify IRD of change of contact details upon cessation of being an RFI within a specified timeframe*	N/A	
(3) For offences committed by directors (or trustees or persons who were responsible for the management, if there were no directors) of RFIs immediately before dissolution without reasonable excuse:		
(a) failure to keep sufficient records for a specified period*	N/A	Liable to a fine at level 3 (HK\$10,000)
(b) failure to notify IRD of dissolution of RFI within a specified timeframe*	N/A	
(c) failure to notify IRD of change of contact details upon dissolution within a specified timeframe*	N/A	

Offences	Existing penalties	Proposed penalties
<p>(4) An RFI which knowingly or recklessly provides misleading, false or inaccurate information in a material particular when furnishing returns, statements or information, or having no reasonable ground to believe that the information is true or accurate</p> <p>(currently only confined to the context of furnishing CRS returns to IRD, i.e. section 80B(6)(a) of IRO)</p>	<p>Liable to a fine at level 3 (HK\$10,000)</p>	<p>Liable to a fine at level 4 (HK\$25,000) or HK\$5,000 for each financial account involved, whichever is higher</p>
<p>(5) An RFI which provides misleading, false or inaccurate information in a material particular when furnishing returns, statements or information with intent to defraud</p> <p>(currently only confined to the context of furnishing CRS returns to IRD, i.e. section 80B(8) of IRO)</p>	<p>On summary conviction:</p> <p>Liable to a fine at level 3 (HK\$10,000) and imprisonment for 6 months</p>	<p>Liable to a fine at level 5 (HK\$50,000) or HK\$10,000 for each financial account involved, whichever is higher, and imprisonment for 6 months</p>
	<p>On indictment:</p> <p>Liable to a fine at level 5 (HK\$50,000) and imprisonment for 3 years</p>	<p>Liable to a fine at level 6 (HK\$100,000) or HK\$20,000 for each financial account involved, whichever is higher, and imprisonment for 3 years</p>

* New offence proposed under the Bill

Note: A service provider which is engaged to fulfil an RFI's registration, reporting and due diligence obligations will be liable on conviction to a fine at level 3 (HK\$10,000) for committing offences (1a), (1c), (1d), (1e) and (4). For offence (5), the service provider will be liable on summary conviction to a fine at level 3 (HK\$10,000) and imprisonment for 6 months; or on indictment to a fine at level 5 (HK\$50,000) and imprisonment for 3 years.

Hong Kong Tax News Flash

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