



Hong Kong passes bill strengthening its CRS administrative framework

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In brief

On 17 June 2026, the Inland Revenue (Amendment) (Automatic Exchange of Information) Bill 2026 (Bill), as amended by the committee stage amendments (CSAs), passed its third reading in the Legislative Council^{1,2}. The CSAs are technical in nature and are intended to enhance the clarity of the relevant provisions. It is expected to be gazetted as the amendment ordinance on 26 June 2026 (new law).

The new law introduces three key changes to Hong Kong's administrative framework for automatic exchange of information (AEOI) under the Common Reporting Standard (CRS): mandatory registration for reporting financial institutions (RFIs), updated record-keeping and notification obligations, and strengthened sanctions for non-compliance. These changes will take effect on 1 January 2027.

These amendments were introduced in response to comments and deficiencies identified in the OECD's 2024 second-round peer review of Hong Kong's AEOI regime. Passage of the Bill before the OECD's 30 June 2026 deadline should help Hong Kong secure a favourable rating.

The new law is only the first phase of broader changes to Hong Kong's AEOI regime. More substantive changes under the amended CRS, including enhanced due diligence and reporting requirements, are being introduced under a separate bill and are expected to take effect on 1 January 2028. RFIs should therefore begin preparing for these operational changes. For details, please refer to our news flash on the amended CRS³.

This news flash provides an overview of the key aspects of the new law, together with our observations.

In detail

Overview of the strengthened administrative framework under Hong Kong's CRS regime

Mandatory registration for RFIs

Under the new law, all RFIs in Hong Kong must register on the AEOI Portal for CRS reporting purposes, regardless of whether they have any information to report. No separate registration is required if another RFI has already reported the relevant CRS data, including nil reporting. For example, where an umbrella fund reports all reportable accounts of its sub-funds, the sub-funds need not register separately⁴.

Existing RFIs must register by 31 March 2027, while new RFIs must register by 31 January of the year following the calendar year in which an entity first becomes an RFI.

The Government indicated that the current login mechanism for the AEOI Portal will be enhanced to help RFIs comply with the new requirements.

The new law also removes the previous requirement for an RFI to notify the Inland Revenue Department (IRD) separately of the commencement, cessation or recommencement of maintaining reportable accounts.

Updated record-keeping and notification obligations

The new law refines the record-keeping period for RFIs by requiring records to be retained for six years after the later of: (i) the end of the calendar year to which the evidence or records relate; and (ii) the due date by which the return is required to be furnished.

Additionally, the new law introduces new record-keeping and notification requirements in relation to the cessation or dissolution of RFIs as follows:

- An entity that ceases to be an RFI but is not dissolved remains subject to the record-keeping requirements. It must notify the IRD within one month after it ceases to be an RFI and 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 its management, must (i) ensure that sufficient records are kept until the end of the six-year retention period, and (ii) notify the IRD within one month after the dissolution and of any subsequent change in their contact details.

Directors or their equivalents may appoint a designated third-party custodian, such as a liquidator or licensed corporate service provider, to fulfil the record-keeping obligations for dissolved RFIs. However, such an appointment does not relieve them of their own record-keeping responsibility.

Strengthened sanctions for non-compliance

The new law strengthens the penalty framework by:

- Introducing new sanctions for RFIs and their directors or equivalents, who fail without reasonable excuse to comply with the relevant obligations, such as the registration requirement or the obligation to notify dissolution.

- Setting penalties for certain existing offences that are calculated based on the number of financial accounts involved, without any cap on the total penalties, such as for failure to carry out due diligence procedures.
- Raising penalty levels and extending the scope for certain wrongdoings, including the provision of misleading, false or inaccurate information.

Please refer to the **Appendix** for a summary of the key penalties for new offences and changes to penalties for existing offences.

In addition, the new law introduces an administrative penalty mechanism, modelled on the ‘additional tax’ regime under profits tax, under which an RFI that commits certain offences without reasonable excuse may be subject to an administrative penalty in lieu of prosecution. The RFI may make written representations before an assessment is made and appeal the assessment to the Board of Review.

The IRD will provide updated guidelines to assist the industry in adapting to the new requirements in due course.

The Government’s responses to submissions on the Bill

Several organisations, including PwC, made submissions to the Bills Committee. Some of the concerns raised in these submissions, and the Government’s response to the same are discussed below.

Personal record-keeping obligations for former directors of dissolved RFIs

In response to concerns that the requirement could expose former directors (or their equivalents) of dissolved RFIs to personal liability, even where a third-party custodian may be appointed, the Government considered the requirement appropriate. It noted that, for enforcement purposes, it is important to ensure that an RFI’s records remain accessible to the IRD for inspection throughout the statutory record-keeping period, even after the RFI has been dissolved. The Government further considered those individuals to be the most appropriate persons to represent dissolved RFIs and, accordingly, to remain responsible for the relevant record-keeping obligations. The Government also indicated that the IRD will issue guidance on what may constitute a reasonable excuse, so that penalties will not be imposed in certain exceptional circumstances.

Our observations

This is a welcome development, which should provide greater clarity on the circumstances under which penalties may not be imposed and help address concerns among affected individuals.

Cap on account-based penalties

There was a submission suggesting that per-account penalties should be capped to avoid disproportionate outcomes where a system or process error affects many accounts. The Government, however, maintained that account-based penalties are intended to address the OECD’s concern that Hong Kong’s CRS penalty regime lacks sufficient deterrence and therefore considered a cap inappropriate, noting that jurisdictions that have implemented similar arrangements do not impose a cap on total penalties.

The takeaway

The new law brings Hong Kong's CRS regime into closer alignment with evolving OECD requirements on transparency and enforcement. With the new requirements taking effect from 1 January 2027, RFIs should review their existing policies and procedures and make any necessary changes to ensure compliance.

In particular, the strengthened penalty regime, under which penalties may be linked to the number of financial accounts involved, could materially increase RFIs' financial exposure. Additionally, the availability of administrative penalties as an alternative to prosecution may heightened enforcement risk.

The new law is only the first phase of broader changes to Hong Kong's AEOI regime. More substantive changes under the amended CRS are being introduced under a separate bill targeted to take effect on 1 January 2028. RFIs should therefore begin preparing for these operational changes.

As a member of the OECD's Asia Initiative, Hong Kong's IRD has highlighted in a recently published report⁵ that CRS information has supported audit selection, helped identify unexplained wealth, and strengthened tax collection and enforcement. The forthcoming implementation of the amended CRS and the Crypto-Asset Reporting Framework will further enhance transparency, particularly in relation to crypto-assets.

If you need any assistance in assessing your readiness for these changes or would like to evaluate the impact of the new law, please do not hesitate to contact us.

Endnotes

1. The Bill and the CSA can be accessed via these links:
<https://www.legco.gov.hk/yr2026/english/bills/b202603271.pdf>
<https://www.legco.gov.hk/yr2026/english/bc/bc102/papers/bc102cb3-561-1-e.pdf>
2. Our news flash on the Bill gazetted can be accessed via this link:
<https://www.pwchk.com/en/services/tax/publications/hongkongtax-news-mar2026-3.html>
3. Our news flash on the Bill proposing the implementation of the amended CRS can be accessed via this link:
<https://www.pwchk.com/en/hk-tax-news/2026q2/hongkongtax-news-may2026-7.pdf>
4. Other examples include CRS data reported by the trustee for a trustee-documented trust (TDT), and by the pooling agreement or approved pooled investment fund for a participating scheme. Accordingly, neither the scheme nor the TDT is required to register separately for CRS purposes.
5. The OECD's Tax Transparency in Asia 2026: Asia Initiative Progress Report can be accessed via this link:
<https://www.oecd.org/content/dam/oecd/en/networks/global-forum-tax-transparency/tax-transparency-in-asia-2026.pdf>

Let's talk

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

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Appendix

Key penalties for new offences and changes to penalties for existing offences under the CRS regime

Offences	Previous penalties	New penalties
(1) For offences committed by RFIs without reasonable excuse:		
(a) failure to register an account in the AEOI Portal*	N/A	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	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	A fine at level 3 (HK\$10,000)	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		
(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 one month after the cessation*	N/A	A fine at level 3 (HK\$10,000)
(b) failure to notify IRD of change of address within one month after the change*	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 the remainder of the required six-year record-retention periods*	N/A	A fine at level 3 (HK\$10,000)
(b) failure to notify IRD of dissolution of RFI within one month after the dissolution*	N/A	
(c) failure to notify IRD of change of contact details within one month after the change*	N/A	

Offences	Previous penalties	New 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>(previously only confined to the context of furnishing CRS returns to IRD)</p>	<p>A fine at level 3 (HK\$10,000)</p>	<p>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>(previously only confined to the context of furnishing CRS returns to IRD)</p>	<p>On summary conviction:</p>	
	<p>A fine at level 3 (HK\$10,000) and imprisonment for 6 months</p>	<p>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>A fine at level 5 (HK\$50,000) and imprisonment for 3 years</p>	<p>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 introduced under the new law

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

In the context of this News Flash, China, Chinese Mainland or the PRC refers to the People's Republic of China but excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region.

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