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Hong Kong Tax News Flash

Hong Kong passes bill to implement CARF and amended CRS

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In brief

On 4 November 2026, the Legislative Council (LegCo) passed the bill implementing the Crypto-Asset Reporting Framework (CARF) and the amended Common Reporting Standard (CRS) (Bill), as amended by the committee stage amendments (CSAs)[1]. The Bill is expected to be gazetted as an amendment ordinance on 13 November 2026. It introduces two complementary tax information reporting frameworks in Hong Kong: CARF covers reportable crypto-asset transactions, while the amended CRS expands the existing automatic exchange of information (AEOI) regime to cover relevant crypto-asset holdings. CARF will take effect on 1 January 2027 and the amended CRS on 1 January 2028. Please refer to the **Appendix** for the detailed implementation timeline of both regimes.

As CARF and the amended CRS are OECD-developed frameworks, the CSAs mainly concern the administrative framework for CARF, areas where Hong Kong retains policy discretion, and technical amendments intended to clarify certain legislative provisions. Corresponding amendments have also been made to the amendment ordinance enacted in June 2026, which enhanced the CRS administrative framework[2], in order to align the administrative frameworks of the two regimes. The enhanced CRS administrative framework will take effect from 1 January 2027, one year ahead of the enhanced due diligence and reporting obligations under the amended CRS regime.

Please refer to our earlier news flash for an overview of the CARF and amended CRS regimes in Hong Kong[3]. This news flash focuses on the key CSAs and the clarifications provided by the Administration during the legislative process.

In detail

Key CSAs to the Bill

Amendments to the CARF and amended CRS administrative framework

The Administration has introduced the following CSAs to refine the CARF administrative framework and make corresponding amendments to the enhanced CRS administrative framework already enacted in June 2026, thereby aligning the two regimes.

	CSAs
Post-dissolution record-keeping obligations	• Former directors or, if there are none, the trustees or any persons who were responsible for the management of the entity (each a specified officer), may appoint a designated officer to fulfil all post-dissolution record-keeping obligations, including notifying the Inland Revenue Department (IRD) of the dissolution, maintaining records, updating contact details and complying with assessor's notices. • The designated officer may be either a specified officer or a former executive employee, meaning a person who previously performed managerial functions for the entity under the direct authority of a director or other person responsible for the entity's management.
Liability for non-compliance after dissolution	Where a valid designation has been made in accordance with the statutory requirements, liability for any offence attaches only to that person. If no appointment is made, liability remains with every specified officer.
Defence for record-keeping failures	Introduces a 'reasonable excuse' defence, similar to that under the Companies Ordinance, which can be established by showing (i) reliance on a competent and reliable person, or (ii) that another person is legally required to keep the relevant records.
Financial penalty and appeal mechanism	Extends the option to compound offences relating to post-dissolution record-keeping obligations by way of a financial penalty, in lieu of prosecution, to both specified officers and designated officers.

Clarification of the nil return filing obligations under CARF

In light of the OECD's latest advice, a further CSA provides that a Hong Kong reporting crypto-asset service provider (HKRCASP) will only be required to file a nil return if, during the relevant reporting period, it has not maintained a relationship with, or effectuated any relevant transactions for or on behalf of, a crypto-asset user who is identified as a reportable user or whose controlling person is a reporting person.

Our observations	We welcome these amendments, which clarify the circumstances in which a nil return must be filed, as well as the obligations of specified officers. In our view, they are positive and pragmatic developments. The alignment of the CARF and CRS administrative frameworks should be particularly beneficial for entities that fall within both regimes and for compliance teams responsible for managing CARF and amended CRS obligations across the same corporate group.

Facilitating compliance and addressing penalty concerns

IRD to release updated guidance and tools to facilitate compliance

Recognising the compliance challenges that CARF will pose as it is rolled out in Hong Kong, as well as the transition from CRS to the amended CRS, the Administration has indicated that following passage of the Bill, the IRD will provide stakeholder briefings, online guidance and FAQs, self-certification templates, as well as user-friendly self-assessment tools to assist individuals or entities in assessing whether they are RCASPs under CARF. The IRD will also update the existing materials to help reporting financial institutions (RFIs) comply with the amended CRS. A dedicated team is already in place to provide technical support and handle related enquiries.

In response to stakeholder feedback, the IRD is upgrading the AEOI Portal's login mechanism so that RFIs with no reportable accounts, and their service providers, can access the AEOI Portal through the New Tax Portals.

Approach to penalty assessment

Stakeholders expressed concern that penalties for providing false, incorrect or misleading information may be calculated as the higher of a fixed fine and an amount based on the number of affected crypto-asset users and controlling persons. They suggested introducing a cap, particularly during the initial implementation period when non-compliance may result from unfamiliarity with the new requirements or inadvertent errors.

The Administration noted that the proposed framework is consistent with the recently enhanced CRS penalty framework and comparable overseas approaches. It also clarified that the IRD will consider explanations for unintentional administrative errors and first offences, with penalties determined according to the nature and seriousness of each case.

Implementation timeline of CARF and amended CRS

Please refer to the **Appendix** for the detailed implementation timeline of both regimes, including the key upcoming deadlines applicable to HKRCASPs and RFIs.

The takeaway

The implementation of CARF and the amended CRS in Hong Kong reflects Hong Kong's commitment to aligning its tax transparency framework with evolving international standards and strengthening the reporting of crypto-asset and financial account information.

Following passage of the Bill by the LegCo, in-scope individuals and entities should shift from monitoring developments to implementation planning. HKRCASPs should assess whether their systems can capture reportable transactions on a transaction-by-transaction basis and support the collection of self-certifications and other due diligence information. RFIs, meanwhile, should review the impact of the amended CRS well ahead of its 1 January 2028 commencement.

Given the complexity of these regimes, those who are uncertain about their obligations should consider seeking professional advice to ensure timely and effective compliance. Should you wish to discuss how these changes may affect your business, please do not hesitate to contact us.

Endnote

1. The Bill and the CSAs can be accessed via these links:
   https://www.legco.gov.hk/yr2026/english/bills/b202605221.pdf
   https://www.legco.gov.hk/yr2026/english/counmtg/papers/cm20261104cb2-1381-1-e.pdf

2. Our news flash on the amendment ordinance strengthening the CRS administrative framework can be accessed via this link:
   https://www.pwchk.com/en/services/tax/publications/hongkongtax-news-jun2026-10.html

3. Our news flash on the Bill can be accessed via this link:
   https://www.pwchk.com/en/services/tax/publications/hongkongtax-news-may2026-7.html

Let's talk

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

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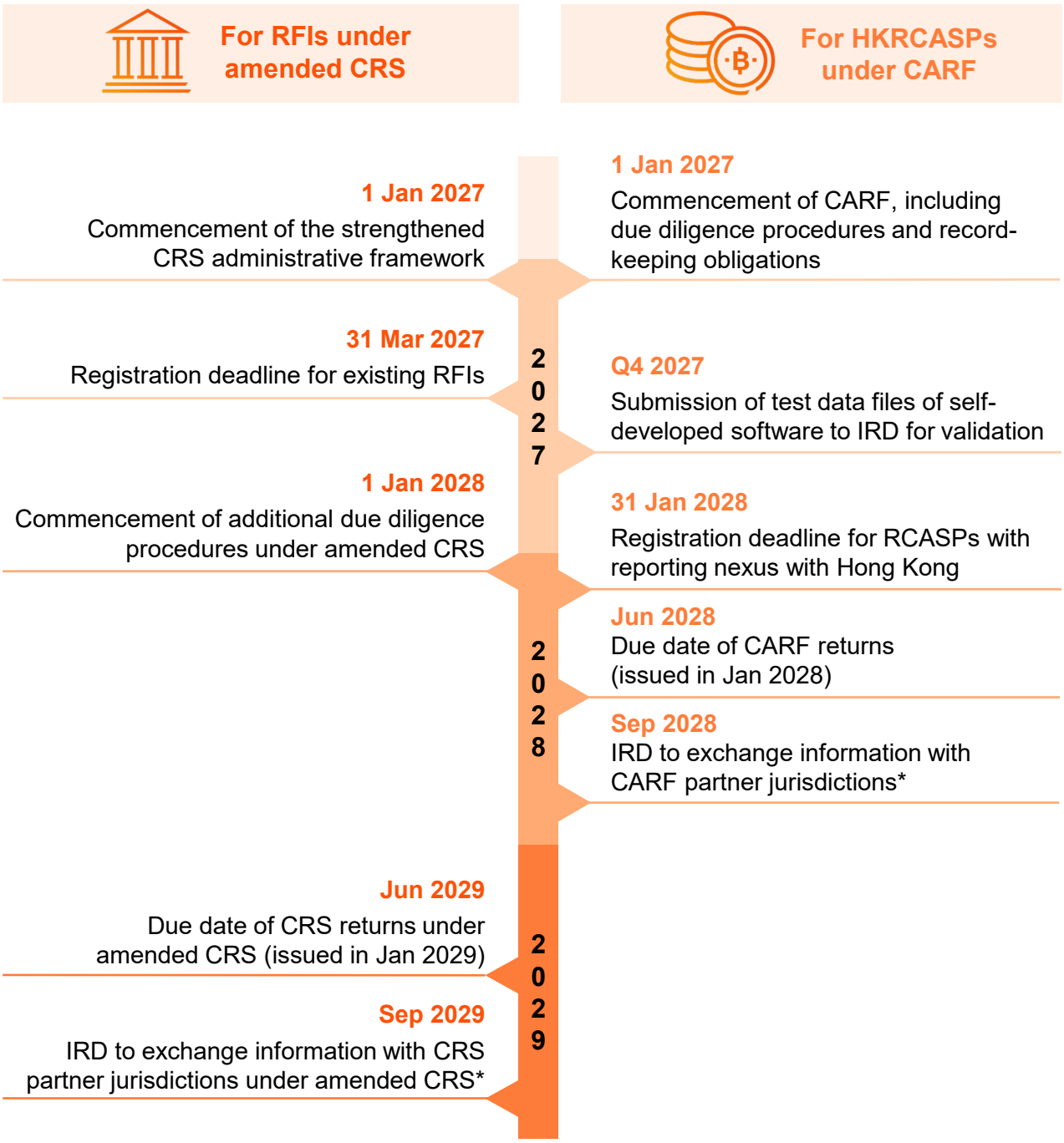
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Appendix

Implementation timeline of CARF and the amended CRS



* The IRD will sign the necessary international agreements to enable the automatic exchange of information under CARF and the amended CRS.

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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