

Automatic Exchange of Financial Account Information (AEOI)

AEOI is an international standard that involves exchanging financial account information on an automatic basis to enhance tax transparency and combat cross-border tax evasion. In July 2014, the Organization for Economic Cooperation and Development (“OECD”) released a standard, asking governments globally to obtain certain financial account information from their financial institutions including insurance companies (“FI”), and exchange that information automatically with participating tax jurisdictions. Known as the Common Reporting Standard (“CRS”), it requires FI in participating jurisdictions to:

- i) identify the country/jurisdiction or countries/jurisdictions of tax residency of their new and existing customers through performing on-boarding due diligence procedures and pre-existing accounts due diligence procedures; and
- ii) report certain financial information of their customers (including individuals, entities and controlling persons of certain entity accounts) to local government, which may exchange the financial information with participating governments of countries/jurisdictions where the customers are tax residents.

The Government of HKSAR has committed to the implementation of AEOI. The Inland Revenue (Amendment) (No.3) Ordinance 2016 (“Inland Revenue Ordinance”), which was passed into law on 30 June 2016, put in place a legislative framework for Hong Kong to implement AEOI/CRS beginning 1 January 2017. To deliver the commitment, Hong Kong will commence the first information exchanges by the end of 2018 with participating tax jurisdictions with which Hong Kong has entered into a Competent Authority Agreement (CAA) (“AEOI partners”).

Manulife, as a reporting financial institution under the Inland Revenue Ordinance, must comply with the following requirements to facilitate the Inland Revenue Department (“IRD”) automatically exchanging certain financial account information with AEOI partners as provided for thereunder:

- i) to identify certain accounts as non-excluded “financial accounts” (“NEFAs”);
- ii) to identify the jurisdiction(s) in which NEFA-holding individuals and certain NEFA-holding entities reside for tax purposes;
- iii) to determine the status of certain NEFA-holding entities as “passive NFEs” and identify the jurisdiction(s) in which their “controlling persons” reside for tax purposes;
- iv) to collect certain information on NEFAs (“Required Information”); and
- v) to furnish certain Required Information to the IRD.

With effect from 1st January 2017, customers purchasing CRS in-scope products are required to complete a CRS self-certification and meet the CRS on-boarding due diligence requirements before a policy can be issued. Customers who do not provide Manulife with a completed and valid CRS self-certification are not eligible to subscribe to any CRS in-scope product or policy.

Customers will also be required to complete a similar CRS self-certification in certain circumstances (e.g. ownership change or change in personal particulars) at a later stage where Manulife has insufficient information to establish whether a customer is a non-reporting person. If a customer refuses to provide a valid CRS self-certification or a reasonable explanation and documentation (as appropriate) supporting the reasonableness of the CRS self-certification, the customer will be deemed as a reportable person of the country/jurisdiction for which his/her personal information indicated.

Under the Inland Revenue Ordinance, it is an offence for customers to provide, knowingly or in a reckless manner, misleading, false or incorrect information in a material particular, in making CRS self-certification to financial institutions. The penalty is fine at level 3 (i.e. HK\$10,000). This is to ensure that Hong Kong abides by the international standard concerning effective implementation.

Policyholders’ and beneficiaries’ personal data (such as name, address, jurisdiction of tax residency, taxpayer identification number (TIN), and the date and place of birth) and financial account data (such as 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) may be reported by Manulife to the IRD and exchanged with the tax authorities of another country/countries and jurisdiction/jurisdictions in which the policyholders and beneficiaries may be tax residents. Where a policyholder or beneficiary fails to provide any Required Information, Manulife reserves the right to take any action as it thinks appropriate in order for it to comply with the applicable law and regulation.

Manulife does not give tax or legal advice. Customers should seek independent professional advice where they have questions surrounding their tax residency and/or on the impact AEOI/CRS may have on the customers or their financial accounts.

If customers have any questions for the above, please contact our Customer Service Hotline at 25103941.