

Hong Kong AEOI Updates

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On 9 December 2025, the Financial Services and the Treasury Bureau (FSTB) and the Inland Revenue Department (IRD) jointly issued the consultation paper (the Consultation Paper) to seek views in respect of the implementation of the Organisation for Economic Co-operation and Development's (OECD) Crypto-Asset Reporting Framework (CARF) and Amendments in relation to Common Reporting Standard (CRS) in Hong Kong.¹

It is important for Hong Kong to timely implement CARF and the amended CRS given the two collectively represent the prevailing international standards of automatic exchange of information in tax matters (AEOI).

In addition, to respond to the comments raised by the OECD, the Consultation Paper also seeks views on the proposed measures for strengthening the administrative framework of the existing CRS which has been adopted in Hong Kong since 2017.

In the Consultation Paper, the following implementation timeframe is proposed:

| In relation to CARF | Effective date |
|--|--|
| Reporting Crypto-Asset Service Providers (RCASPs) to commence due diligence procedures | January 2027 |
| Existing RCASPs that meet any reporting nexus to Hong Kong to commence registration with the IRD | From September 2027 to December 2027 / January 2028 (as the case may be) |
| To submit test data files of self-developed software | Q4 2027 |
| CARF returns filing | Issuance by the IRD in January 2028 Submission by RCASPs in June 2028 |
| IRD's first exchange of information with CARF partners | September 2028 |
| In relation to amended CRS and other strengthened measures | Effective date |
| Enhanced sanctions | January 2027 |
| Mandatory registration for all Reporting Financial Institutions (RFIs) in Hong Kong | January 2027 |
| RFIs to commence additional due diligence procedures under the amended CRS | January 2028 |
| File CRS Returns with additional information as required under amended CRS | June 2029 in respect of 2028 data |
| IRD's first exchange of amended CRS information with CRS partners | September 2029 |

¹ <https://www.info.gov.hk/gia/general/202512/09/P2025120900283.htm>

On 8 June 2023, the OECD published the "*International Standards for Automatic Exchange of Information in Tax Matters: Crypto-Asset Reporting Framework and 2023 update to the Common Reporting Standard*".

The OECD has identified Hong Kong as "immediately relevant" to CARF given its growing crypto-asset sector. In the 2025 Policy Address, the Hong Kong SAR Government announced that the legislative proposals for CARF will be introduced to the Legislative Council in 2026. The proposed effective date of CARF in Hong Kong shall allow Hong Kong to meet the OECD's expectation on the implementation schedule.

While the Consultation Paper proposes the full implementation of the amended CRS in 2028 to allow sufficient time for RFIs to put in place the updated processes and systems for the additional due diligence and reporting requirements, the enhanced sanctions for the existing CRS framework shall become effective in January 2027.

Enhanced sanctions

During recent years, the IRD has been conducting onsite inspections and desktop reviews on various RFIs in Hong Kong and has pointed out to the relevant RFIs regarding the compliance issues. The relevant RFIs should understand the needs to re-work certain due diligence and reporting obligations and enhance their compliance capabilities given the existing rules already require the RFIs to within a reasonable timeframe to correct the issues identified. RFIs should proactively consider such compliance uplift and completion of remediation within 2026 to get prepared for the enhanced sanctions proposed to be effective on January 2027.

The following table highlights some of the proposed enhanced sanctions:

| Offences | Penalty scale |
|---|---|
| Without reasonable excuse: <ul style="list-style-type: none">▪ Failure to establish, maintain or apply the due diligence procedures; and▪ Failure to notify the IRD the discovery of misleading, false or inaccurate information in a return | HK\$10,000 or HK\$1,000 for each financial account involved, whichever is the higher on the convicted RFIs |
| Providing incorrect or incomplete information when furnishing returns, statements or information without reasonable excuse | |
| Failure to register without reasonable excuse | HK\$10,000 and a further fine of HK\$500 will be imposed for each day of continuing offence after conviction |
| Knowingly or recklessly providing 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 | HK\$25,000 or HK\$5,000 for each financial account involved, whichever is the higher on the convicted RFIs |
| Providing misleading, false or inaccurate information in a material particular when furnishing returns, statements or information with intent to defraud | Liable on summary conviction, HK\$50,000 or HK\$10,000 for each financial account involved whichever is the higher, and imprisonment for 6 months; on indictment, to a fine at HK\$100,000 or HK\$20,000 for each financial account involved, whichever is the higher, and imprisonment for 3 years |

Mandatory registration for all Reporting Financial Institutions (RFIs) in Hong Kong

Under the current legislation, the registration requirement kicks in only when an RFI commences the maintenance of the first reportable financial account. In recent years, the IRD has been issuing enquiry letters and questionnaires to numerous entities in ratifying the no-registration positions.

To strengthen the ability of identifying all the RFIs in Hong Kong as one of the core measurements of effective implementation of CRS, the Consultation Paper proposes the introduction of the mandatory registration for all RFIs, commencing in 2027. In this regard, relevant entities are recommended to carefully understand and document their CRS classification as soon as possible and get prepared for the upcoming mandatory registration requirements, where applicable.

Amended CRS

Amended CRS has been finalised by the OECD. The following table highlights the key changes under the amended CRS proposed in the Consultation Paper:

| Expansion of the scope of CRS | | |
|--|---|--|
| <ul style="list-style-type: none">▪ Expansion of the definition of Financial Assets to include "Relevant Crypto-Assets"▪ Expansion of the definition of Depository Institutions and Depository Accounts to cover "Central Bank Digital Currencies" and "Specified Electronic Money Products" | | |
| Depository Institutions, Custodial Institutions and Investment Entities going forward shall cover the above new digital asset classes. | | |
| Additional due diligence requirements for the following instances | | |
| <ul style="list-style-type: none">▪ Where an Account Holder or Controlling Person has declared tax residency(ies) in a jurisdiction offering a potentially high-risk certain citizenship and residence by investment (CBI/RBI) schemes▪ Self-certification does not contain a tax identification number (TIN) however TINs are issued to all tax residents for the relevant jurisdiction▪ If an Account Holder or Controlling Person who is resident for tax purposes in two or more jurisdictions (i.e., tie-breaker scenarios), the account holder is required to self-certify all jurisdictions of tax residence and be treated as tax resident in all identified jurisdictions | | |
| Additional reporting requirements | | |
| 1 | whether a valid self-certification has been obtained for each account holder / controlling person | <ul style="list-style-type: none">▪ Robust due diligence process and the relevant control and system in place is even more crucial than before for declaring the existing of valid self-certification in the CRS return for each reportable account. |
| 2 | Whether the account is a Preexisting Account or a New Account | <ul style="list-style-type: none">▪ It would be blatant to the tax authorities if an account is a New Account but without a valid self-certification combining the new reporting requirement under data on validity of self-certification above. |

| | | |
|---|--|---|
| | | Robust New Account due diligence procedures should be ensured. |
| 3 | Whether the account is a joint account, including the number of joint Account Holders | <ul style="list-style-type: none"> ▪ Robust identification and tagging of joint accounts are required. |
| 4 | Types of Financial Accounts | <ul style="list-style-type: none"> ▪ Financial account definitions are never straightforward when it comes to real life applications on complex financial products and services. ▪ Product and activity analyses become even more important than any time before given the new reportable information of types of Financial Accounts. |
| 5 | Role(s) of each Controlling Person of a Passive Non-Financial Entity (NFE) | <ul style="list-style-type: none"> ▪ The reporting of the role of a Controlling Person would soon be changing from “Optional” to “Mandatory”. Therefore, RFIs should ensure robust process on determination of Controlling Person types. |
| 6 | Role(s) of each Equity Interest Holder of an Investment Entity that is a legal arrangement | <ul style="list-style-type: none"> ▪ RFIs that are Investment Entities are required to report the role(s) of each Equity Interest Holder that is a legal arrangement (e.g., limited partnership, trust) if such information is available. |

The Consultation Paper now proposes the full implementation of the amended CRS in 2028 with a view to allowing sufficient time for RFIs to put in place the updated processes and systems for the additional due diligence and reporting requirements. Due diligence remediation and data cleansing of the exiting account information may also be completed before 2028, where applicable.

In addition, it is expected that OECD's latest CRS schema version 3.0 for the amended CRS will be introduced in Hong Kong shortly for the reporting of the 2026 data in 2027 with a view to keeping the consistency of information exchanged internationally, subject to the transition measures of the additional reportable items under the amended CRS.

CARF

Similar to the amended CRS, CARF has been finalised by the OECD. CARF is a newly introduced regime to place due diligence and reporting obligations on RCASPs. The term, RCASPs, i.e., “Reporting Crypto-Asset Service Provider” is defined as any individual or entity that, as a business, provides a service effectuating “Exchange Transactions” (e.g., between the relevant crypto-assets (as defined under CARF) and fiat currencies) for or on behalf of customers, including by acting as a counterparty, or as an intermediary, to such Exchange Transactions, or by making available a trading platform.

RCASPs are required to carry out the due diligence procedures on their crypto-asset users to determine the reportability. Such due diligence procedures will be similar to those under the CRS including the key features provided under the amended CRS. The Consultation Paper also proposes the election of the “wider approach” which allows due diligence to

identify non-reportable persons. Such “wider approach” is currently adopted by RFIs commonly for the CRS compliance in Hong Kong.

The aggregated transaction value of acquisition and disposal of the relevant crypto-assets against fiat currency will have to be reported under CARF.

The Consultation Paper also proposes the same “nexus criteria” originated from the OECD CARF to be legislated in Hong Kong such that the relevant RCASPs can be captured under CARF in Hong Kong while no duplication of CARF requirements in other partner jurisdictions. Mandatory registration requirement is also proposed for all RCASPs that meet any of the reporting nexus criteria as one of the measures of effective implementation, notwithstanding that such RCASPs might already have the CARF reporting obligations elsewhere.

Similar scale of sanctions as discussed in the “enhanced sanctions” section above for CRS is also proposed in the Consultation Paper for CARF.

Key takeaway

The Consultation Paper demonstrates the determination of the Hong Kong SAR Government in timely implementing CARF and the amended CRS while allowing sufficient time to the RFIs and RCASPs in getting prepared the necessary compliance enhancement measures and infrastructure.

The significantly heftier penalty scale proposed in the Consultation Paper is aligned with those of the other major partner jurisdictions. Along with the heightened scrutiny from the IRD by way of onsite inspections and desktop reviews in recent years, RFIs’ and RCASPs’ seriousness towards AEOI compliance is essential for Hong Kong to maintain its status as an international financial center.

Talk to us - the CTORS Team based in Hong Kong - for your upcoming plans on compliance in CARF and amended CRS.

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