
Hong Kong extends the CbCR Notification deadline

22 March 2019

In brief

Yesterday, the Hong Kong Inland Revenue Department (“IRD”) released a one-time extension for filing the Country-by-Country Reporting (“CbCR”) Notification for Hong Kong taxpayer with an Ultimate Parent Entity (“UPE”) where its fiscal year begins on 1 January 2018. Specifically, such Hong Kong taxpayers will have until 15 May 2019 to file their CbCR Notifications. Details of the CbCR Notification time extension - the **what, who, when, how and penalties** - are provided below.

What is a CbCR Notification?

A CbCR Notification sets out how the group is planning to comply with its CbCR requirements. The purpose of it is to provide the IRD with relevant information on the group’s UPE and Surrogate Parent Entity.

Who qualifies for the extension?

The extended filing deadline only applies to Hong Kong reporting entities with UPEs that have fiscal year beginning on 1 January 2018.

This extended due date does not apply to Hong Kong reporting entities whose UPEs have fiscal year beginning later than 1

January 2018 (i.e. whose UPEs have a fiscal year ending after 31 December 2018).

A Hong Kong reporting entity refers to a Hong Kong resident entity, as well as Hong Kong branches/ permanent establishments of foreign companies, of a multinational enterprise group whose annual consolidated group revenue for the immediately preceding accounting period reaches the specified threshold amount of HK\$6.8 billion or specified CbCR threshold in the tax jurisdiction where the UPE is a tax resident.

When will be the extended filing due date?

Qualified Hong Kong reporting entities will have until 15 May 2019 to file their CbCR Notification in Hong Kong.

For groups whose UPE has a financial year end of 31 December, the first notification deadline in Hong Kong was supposed to be 31 March 2019 (i.e. within three months after the end of the UPE’s accounting period).

How to apply for time extension?

No application of extension is required for Hong Kong reporting entities with UPEs that have fiscal year beginning from 1 January 2018. The extended filing deadline will be given provided that the notification is received via the CbC Reporting Portal on or before the expiry of 45 days after the relevant notification deadline (i.e. 15 May 2019).

How to file CbCR Notification?

A CbCR Notification is required to be filed electronically through the CbC Reporting Portal.

A Hong Kong reporting entity may choose to engage PwC as the Service Provider to file CbCR Notification on its behalf. Under this option, the reporting entity only needs to complete and submit the signed authorisation form to IRD, and provide relevant information to PwC.

Alternatively, if the reporting entity chooses to file CbCR Notification on its own, the reporting entity must authorise an individual (“Authorised Person”)

to hold an e-Certificate or engage a service provider to file on its behalf. For a corporation, the Authorised Person must be a director or officer, and for a non-corporate entity, a principal officer or responsible person. A summary of the CbCR Notification online filing process is provided in the CbCR Notification Guidelines with an online step-by-step demonstration on the IRD website.

Before one can gain access to the portal, it is necessary to obtain an e-Certificate from the Hong Kong Post Office.

Penalties

Hong Kong reporting entities which fail to file CbCR Notification will be subject to a financial penalty of HK\$50,000. An additional HK\$100,000 plus a HK\$500/ day penalty applies to the period during which the offence continues after conviction.

Intentionally providing misleading, false or inaccurate information in a CbCR Notification, or failure to notify IRD upon discovery of an error will also attract financial penalties and/ or imprisonment upon conviction.

The takeaway

The extended filing deadline is appealing to many qualifying Hong Kong taxpayers. Any reporting entities that may have overlooked the CbCR Notification obligation previously should consider addressing this proactively.

It is worth to note that the deadlines for filing CbCR Notification for taxpayers with UPEs that have fiscal year ended after 31 December 2018 would still need to follow the original filing due dates (i.e. within three months after the end of the UPE’s accounting period).

How PwC can help?

PwC can assist you to meet your Hong Kong CbCR and CbCR Notification requirements. More imminently, we can help you to meet the CbCR notification deadline. Please feel free to reach out to us if you require any assistance.

www.pwchk.com

Let's talk

For a deeper discussion of how this issue might affect your business, please contact a member of **PwC's Transfer Pricing Team**:

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* These results are based on an independent survey of 100 primary buyers of tax services in Hong Kong, conducted by research agency Jigsaw Research (Q1-Q4 2016).

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