

ASIFMA Results of Polling on FPS Usage for Tax Payment

Background: During the PTC-IRD tax meeting on 23 Apr 2021, IRD suggested that the industry explore using Faster Payment System (FPS) to settle tax payment for stamp duty. As agreed with members during the PTC meeting (27 May 2021) and OTT SC meeting (6 May 2021), ASIFMA conducted a polling to seek response from the industry to the below polling questions:

Date: Thursday, 3 Jun 2021

Members: Product Tax Committee (“PTC”), Operational & Transactional Taxes Subcommittee (“OTT SC”) and E-means Tax WG

Response rate: 14 out of 32 (44%) firms responded

#	Polling Questions	Responses	No. of Firms
1	Is your firm able to use FPS to settle tax payment for stamp duty?	a) Yes <u>Specific comments:</u> <ul style="list-style-type: none"> Our custodian also confirmed they can arrange FPS stamp payment for us but middle office’s concerns on physical submission/proof of payment. 	1 (7%)
		b) No	9 (64%)
		c) Other comments: <ul style="list-style-type: none"> While we are keen to explore e-means, concerned about implementing controls for non-bank remittance approach We rely on our brokers to make manual stamp duty payments to the HKIRD on our behalf, so we are unable to comment whether FPS is possible. We do not make stamp duty payment directly ourselves. Yes subject to details around exact FPS payment methods. 	4 (29%)
2	If your answer is <u>NOT</u> “Yes” to Q1 above, can you kindly explore your firm’s capability to use FPS and let us know which of the following describes your firm:	a) No, it is not possible for us to use FPS. <u>Specific comments:</u> <ul style="list-style-type: none"> FPS is simply not something that our payment system can support. The current tax payment method that our firm can accommodate is physical cheque / cashier order issuance (e.g. offshore/SD4 payments to IRD), or direct debit on bank account (e.g. SD1 payment debited by HKEX). There is no current system or process available for us to use FPS (as we do not have access to e-banking directly for payment and any other system that could link our systems to FPS to initiate/process tax payment). Our bank internal risk policy is to move away from external payment systems and use in house systems where we have more controls in place (OFAC scanning, credit alerts, approval limits etc.). Also, the use of 	7 (54%)

	<p>FPS involves the registering of mobile/email addresses, there may be issues with how our bank data policy can accommodate this.</p> <ul style="list-style-type: none"> • Our bank advised that FPS cannot be instructed by swift. FPS limit is 1 mil HKD for each transfer and no amendment can be made. No credit line will be granted (in case in debit in our account). Hence, we cannot practically use FPS for profits tax payment. • We are unable to use this for corporate tax purposes given: (1) FPS has a single transaction threshold; (2) daily payment limit needs to be pre-set with the bank; and (3) some corporate banking systems have constraints on making tax payments electronically. 	
	<p>b) It looks unlikely that we can use FPS but we need more time to confirm.</p> <p><u>Specific comments:</u></p> <ul style="list-style-type: none"> • We do not have a corporate account at department level and thus we intend to use cashier's order to settle stamp duty payment. • It is hard to give a definitive answer at such short notice but I suspect the answer would ultimately be "a", though currently "b" principally as we (Tax) are not sure how FPS would operate for a corporate. Stepping back from any specific payment channel, from an FI's perspective it is going to have to meet internal controls applicable to payment processes to ensure they are not e.g. prone to fraud etc. The payment amounts for stamp duty on OTC contracts can be substantial and therefore would be subject to higher level checks and balances so any channel that could seemingly be operated by a single individual will not be viable. 	3 (23%)
	<p>c) It is still unclear if we can use FPS and we need more time to explore.</p> <p><u>Specific comments:</u></p> <ul style="list-style-type: none"> • Need time to explore this, will need to consider significance of system enhancements required, cost vs benefits and security issues. • Based on the IRD webpage, it seems that FPS payment is to be made via QR code which we will need to be explore further e.g. how to manage shroff numbers so we can track payments etc. We will continue to pursue discussions internally on this while we wait for clarification from IRD on how they envisage this should work for FIs. 	2 (15%)
	<p>d) It looks likely that we can use FPS but we need more time to confirm.</p>	0
	<p>e) Yes, it is possible for us to use FPS.</p>	0
	<p>f) Other comments:</p> <ul style="list-style-type: none"> • We are keen to know how the process will change holistically if FPS replaces cheque payment at IRD window yet SD forms still require physical submission (especially SD4, original contract notes are stamped). Proof of payment is another concern. 	1 (8%)