

## NOTICE

Valid from: 1<sup>st</sup> September 2016

### Changes in the rules of interest taxation

From September 1<sup>st</sup> 2016, the rules governing the taxation of interest in the case of certain private individuals will change. The reason for the change is the abolishment of the savings directive, as a result of which our foreign tax resident Clients will be subject to tax on interest that was previously exempted.

The tax law amendment affects those of our Clients who are resident for tax purposes in the European Union or in a state<sup>1</sup> that applies the 2003/48/EC Directive (Savings Directive), and to whom interest is credited or debited by Erste Bank Hungary.

#### Tax rates applied from 1<sup>st</sup> September 2016:

If a double taxation treaty is in force between Hungary and the state of tax residence of our Client, the Bank will apply the provisions of the treaty – following the verification of tax residence and declaration of beneficial ownership (if required by the treaty).

- If, according to the provisions of the treaty the interest income is not taxable in Hungary, then the interest income will remain exempt from personal income tax („PIT”) and health care contribution („HCC”).
- If, according to the treaty the interest income is subject to limited tax liability, then the income will be taxed according to the provisions of the treaty (however, capped at 15% PIT and 6% HCC).

In the event that no double taxation treaty has been concluded between Hungary and the given state, or our Client doesn't verify his or her tax residency properly and/or doesn't provide a declaration regarding his or her beneficiary status, then the Bank will deem the tax residency to be in Hungary and withhold 15% PIT and 6% HCC from the interest income.

The tax (PIT and HCC) is withheld and paid by the Bank to the Hungarian Tax Authority („HTA”), no further action is required from our Client in this respect.

#### Rules of reclaiming excessive tax deduction:

In the event that the amount of tax withheld by the Bank exceeds the limit allowed by the treaty (e.g. because no residence certificate was provided), then our Client has the possibility to file a request – by attaching the residence certificate and the certificate issued by the Bank – to the HTA Directorate for Exclusive Taxpayers to reclaim the amount.

If our Client is not liable to pay the 6% HCC, then – similarly to the above – the withheld HCC is reclaimable from the HTA Directorate for Exclusive Taxpayers. During the reclaim process it has to be certified that our Client is insured for social security purposes in another EU Member State.

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<sup>1</sup> EU + Switzerland, Guernsey, Jersey, Isle of Man, Saint Maarten, Curacao, Aruba, Anguilla, British Virgin Islands, Cayman Islands, Montserrat, Turks & Caicos Islands, Andorra, Liechtenstein, San Marino, Monaco

### **Determining tax residency after September 1<sup>st</sup> 2016:**

According to the CRS legislative Act<sup>2</sup>, the Bank qualifies as a Hungarian Reporting Institution, therefore, as a main rule the tax residency of our private individual Clients have to be reviewed based on the provisions of the Act.

In order to carry out the tax residency assessment, all our Clients are obliged to provide a written declaration stating in which country (countries) their tax residency lies in.

In the event that our Client qualifies as a tax subject of the state(s) participating in the CRS cooperation, based either on the declaration or on the assumption as a result of the review carried out by the Bank, then our Client is obliged to provide the following information to the Bank in writing: tax identification number, or in the absence of such ID, any functionally similar personal identification code.

If, as a result of the CRS review the Bank comes to the conclusion that our Client is resident for tax purposes in another state, several states, or any other jurisdiction, then the Bank may only accept the certificate of residence to confirm the foreign tax residency.

**For detailed information on CRS (Common Reporting Standards) due diligence please see the publication of Erste Bank Hungary Zrt. in connection with the implementation of the obligations arising from the Act on International administrative cooperation in the field of taxation.**

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<sup>2</sup> Act no. XXXVII. of 2013 on International administrative cooperation in the field of taxation