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Announcement on the international exchange of tax information

Dear Clients,

In 2014 the Organisation for Economic Co-operation and Development (OECD) published its recommendation concerning a standard for automatic information exchange among different countries and the information capture and reporting obligations of banks and similar institutions. Under this arrangement, every Hungarian financial institution is required to take part in the compulsory automatic exchange of information.

What does the international exchange of tax information involve?

Efforts to improve tax collection efficiency and results have greatly intensified on the international level as well; the cooperation of international public administration bodies and the related reporting of taxes and other contributions is recognised as an important means to achieving this end.

In order to transpose the intergovernmental agreement into Hungarian law, Parliament has passed a new act (Act CXCLII of 2015).

According to the Act, our Bank must introduce a new system of due diligence and registration in order to identify the accounts of international taxpayers held with our Bank and to allow it to forward the required information to the tax authority.

These new due diligence procedures will apply to new accounts as well as existing ones opened prior to the effective date of the Act (1 January 2016), and our Bank will therefore need to request its clients classifying as international taxpayers according to the criteria stated in the law to submit the necessary tax declarations.

Our Bank will be required to report this information via the National Tax and Customs Administration (NAV). NAV will then forward the required data to the tax authorities of the relevant countries. Within 30 days of submitting our report to NAV, we will write to our clients to inform them that we have done so.

The international tax information exchange process at K&H Bank

Our client acceptance processes will change as from 1 January 2016 to ensure we comply with the data exchange requirements, and this will result in the changes and additional obligations described below.

New clients: every client will have to declare their tax residence, and if they pay tax in any one of the countries that signed the convention on information exchange, they also need to give our Bank proof of their tax number. If a prospective client refuses to sign the Declarations or give proof of their tax number, our Bank will not enter into a contract with them.

Existing clients: we will carry out a central screening to identify which clients may be affected. We will request all clients we identify as affected to make a declaration and provide proof of their tax number. We kindly call attention of our clients that in case of a change of circumstances results a deprecated data in the declaration or in any other documents, they are bound to notify the Bank within 30 days, by handed in a new declaration, written statement and/or new documentary evidence.

Our colleagues in our branches and our Telecenter are happy to answer further questions you may have about international taxation.

Thank you for your cooperation!

Kind regards,

K&H Bank