

INFORMATION

Changes in the Establishment of the Tax Residence of Private Individuals

Rules for the establishment of tax residence:

Please be advised that effective as of 1 September 2016 the regulation concerning the tax and health care contribution ("Eho") payment obligation of foreign customers will change.

The change in legislation was motivated by the repeal of the EU Savings Directive (Directive 2003/48/EC), therefore the new rules primarily concern those private individual Customers who so far fell within the scope of the EU Savings Directive and therefore did not pay personal income tax and Eho in Hungary on their interest incomes.

In accordance with the amendment of Annex No. 4 of Act XCII of 2003 on the Order of Taxation (the "Taxation Act"), starting from 1 September 2016 the Bank shall establish tax residence in respect of the incomes provided by the Bank, besides the tax residence certificate presented by the customer, taking into account the tax residence determined in accordance with the provisions set out in Sections II-IV and VII of Annex No. 1 of Act XXXVII of 2013 on the Rules of International Public Administration Cooperation Related to Taxes and Other Public Duties (the "CRS tax residence"). Read more about the establishment of CRS tax residence in our website (www.raiffeisen.hu/crs-en).

CRS tax residence shall have the following effect on the payment of personal income tax starting from 1 September 2016:

The Hungarian tax rate is to be applied in the following cases:

- if based on his/her CRS tax residence the customer is Hungarian or is resident in a country which has not concluded a double taxation convention (the "convention") with Hungary,
- if the customer has more than one CRS tax residences,
- if the customer's CRS tax residence investigation has not closed yet, and he/she has no tax residence certificate either.

A special case: In the case of customers who have an established CRS tax residence other than Hungarian and there is a convention in effect between the country of CRS tax residence and Hungary, the lower of the determined tax rate and the Hungarian tax rate is to be applied.

Tax residence certificate: Foreign tax residence is to be certified by the document issued (in English) by the foreign tax authority, or in the case of other languages by an official Hungarian translation of the same, or by a photocopy of the relevant document.

The list of the countries that have concluded a convention with Hungary is available at the end of the document.

Establishment of the amount of Eho payable on interest incomes:

In addition to personal income tax, 6% Eho will be deducted:

- in the case of conventions where Hungary has right of taxation,
- in the case of a customer with Hungarian tax residence or with more than one CRS tax residences.

If in accordance with the relevant convention Hungary may not levy taxes, Eho will not be deducted either from the customer's incomes.

In the case of customers who have a tax residence certificate and/or a declaration of beneficial ownership there is no change either in taxation or in the management of Eho payments. Things will become more simple, though, because as a result of the new regulation customers who have a determined CRS tax residence concerning a country with a convention in effect will not need to present a tax residence certificate for each tax year, as the convention also becomes applicable on the basis of their CRS tax residence.

Initiation of the establishment of CRS tax residence:

In the case of customers where the establishment of CRS tax residence has not closed by 31 August 2016 (the customer fails to make a CRS declaration) and the customer does not have a tax residence certificate either, the Bank shall apply the Hungarian tax and Eho rates from 1 September 2016 until the establishment of CRS tax residence (until the customer makes a CRS declaration). The customer may initiate the establishment of his/her CRS tax residence at any branch of the Bank. For this purpose the customer is expected to bring along his/her personal documents and tax identification number certificate.

Rules of procedure for the refund of over-deducted tax and Eho:

There is no change in the rules concerning over-deducted tax and Eho.

If the amount of tax deducted from a private individual with foreign tax residence is higher than the tax rate applicable on the basis of the relevant convention, and/or if the customer is not obligated to pay Eho, and nevertheless Eho is deducted from his/her income, the foreign resident individual may file a refund claim by submitting his/her tax residence certificate and the certificate issued by the Bank at the Large Taxpayers Tax and Customs Directorate of the National Tax and Customs Administration (NAV). The tax authority will transfer the tax and Eho difference to the bank account identified by the foreign individual (Section 5 of Annex No. 4 of the Taxation Act, Art. 11 (8a) of Act LXVI of 1998 on Health Care Contribution).

Double taxation conventions in force	
Regulations related to double taxation convention	Country (customer's tax residence country)
Act XCI. of 1996	Albania
Act XXXVI. of 1993	Australia
Law-Decree 2. of 1976	Austria
Act LXXXIX. of 2008	Azerbaijan
Act XLIX. of 2014	Bahrain
Act 20/1984. (IV. 18.)	Belgium
Law-Decree 6. of 1988	Bosnia and Herzegovina
Act XXVII. of 1992	Brazil
Act XCII of 1996	Bulgaria
Act 82/1982. (XII. 29.)	Cyprus
Act XCIII. of 1996	Czech Republic
Act LXXXIII. of 2011	Denmark
Act VII. of 1999	South Africa
Act XXVIII. of 1992	Korea, South
Act CLXI. of 2013	United Arab Emirates
Act CXLIV. of 2011	The United Kingdom
Act XVII. of 1995	Egypt
Act CXXVIII. of 2004	Estonia
Act CXII. of 2004	Belarus
Act 66/1981. (XII. 16.)	Finland
Act 65/1981. (XII. 16.)	France
Act XVII. of 2000	Philippines
Act XIV. of 2012	Georgia
Act 33/1985. (VII. 1.)	Greece
Act 10/1988. (III. 10.)	Netherlands
Act CXXIX. of 2010	Hong Kong
Act XVIII. of 2000.	Croatia
Act CXLIV. of 2005	India
Act X. of 1999	Indonesia
Act XI. of 1999	Ireland
Act CXLV. of 2005	Iceland
Act LXIII. of 1993	Israel
Law-Decree 18. of 1980	Japan
Act XVI. of 1995 and Act XII. of 1999	Canada
Act XV. of 2012	Qatar
Act XIV. of 1999	Kazakhstan
Act XV. of 1999	China
Act CLXXXVII. of 2013	Kosovo
Act XVI. of 1999 and Act LXX. of 2003	Kuwait
Act XCV. of 1996 and Act XXVII. of 2002	Poland

Act CXXX. of 2004	Latvia
Act CL. of 2015	Liechtenstein
Act CXXIX. of 2004	Lithuania
Act XCV. of 1990 and Act XCI. of 2015	Luxembourg
Act XXXV. of 2002	Republic of Macedonia
Act LXVII. of 1993	Malaysia
Act LXVII. of 1993	Malta
Act VIII. of 2002	Morocco
Act CXLV. of 2011	Mexico
Act XVIII. of 1999	Moldova
Act LXXXII. of 2000	Mongolia
Act XXV. of 2003	Montenegro
Act LXXXIV. of 2011	Germany
Act 67/1981. (XII. 16.)	Norway
Act 53/1980. (XII. 22.)	Italy
Act XXI. of 1999	Russia
Act X. of 2010	Armenia
Act II. of 1996	Pakistan
Act XIX. of 2000	Portugal
Act XCIX. of 1996	Romania
Act CXXXII. of 2010	San Marino
Act 12/1988. (III. 10.)	Spain
Act CLXIII. of 2013	Switzerland
Act 55/1982. (X. 22.)	Sweden
Act III. of 2014	Saudi Arabia
Act XXV. of 2003	Serbia
Act XXI. of 2000	Singapore
Act C. of 1996	Slovakia
Act CXLVI. of 2005	Slovenia
Act CXXXIII. of 2010	Taipei (Taiwan)
Gov. Decree 13/1990 (VII. 25)	Thailand
Act CI. of 1996	Turkey
Act XXVIII. of 1999	Tunisia
Act XXX. of 1999	Ukraine
Act XXXI. of 1999	Uruguay
Act 49/1979. (XII. 6.)	USA
Act XC. of 2008	Uzbekistan
Act CII. of 1996	Vietnam