



## **CRS a FATCA - verification, detection and reporting obligation related to clients, who are non-resident taxpayers and US persons, to a specialised tax authority**

Dear clients,

the purpose of this document is to provide you - the clients of Komerční banka, a.s., (hereinafter referred to as the Bank) with basic information on the issue of tax information collected by the Bank at the beginning and during the business relationship.

### **Common Reporting Standard (CRS)**

Directive 2014/107/EU was implemented into Czech legislation (Act No. 164/2013 on International Cooperation in Tax Administration) with effect from 6 April 2016. The proposed Czech law reacts to developments in the EU and OECD regarding the automatic exchange of information in the field of taxes, where the EU and OECD have prepared a common standard for reporting and due diligence procedures for obtaining information on a financial account, which together with the model agreement of the competent authorities forms the so-called global standard Common Reporting Standard (CRS).

On the basis of the legislation above, Czech banks are obliged to identify and verify the tax residency of their clients since 2016. On the basis of these findings, financial institutions will report selected information on these foreign clients to the Czech tax authority once a year for the previous calendar year (for the first time in 2017, information for the year 2016) in the case of clients who are tax residents of most developed foreign countries (at the moment 109 countries are participating). In particular, this includes client identification, including the tax identification number, information on account balances and information about the income paid into the account (e.g. interest). The Czech tax authority will pass this information on to the tax authorities of the respective countries. Foreign financial institutions in the participating countries will follow a similar procedure, i.e. information on Czech tax residents, their accounts and income abroad will be forwarded by these foreign institutions via the foreign tax authority to the Czech tax authority to verify the correct taxation of foreign income of Czech tax residents.



The bank fulfils the CRS inquiry obligation by collecting Self-certification on the tax residence, where a client confirms his or hers tax residence country. In the case of tax non-residents, the client also provides his/her tax identification number. The collection of the this document primarily applies to clients entering into a new product contract with the Bank. However, existing customers may also be required to obtain a self-certification. The document is issued for an indefinite period of time, unless the client has a change of circumstances (e.g. moving to another country) or the parameters of the product contract are modified.

Declaration of KB: Komerční banka confirms that for the purpose of the international cooperation in the tax administration applies due diligence also for pre-exiting accounts of entities whose value as of 31.12.2015 does not exceed the amount equivalent 250 000 USD.

Useful links to CRS:

<http://www.mfcr.cz/cs/legislativa/mezinarodni-spoluprace-v-oblasti-dani/umluva-o-vzajemne-spravni-spolupraci-mca/mnohostranna-dohoda-cbcr>

<http://www.mfcr.cz/cs/legislativa/mezinarodni-spoluprace-v-oblasti-dani/lex-gatca>

## **Foreign Account Tax Compliance Act (FATCA)**

FATCA is a United States law dated 2009 that requires foreign financial institutions to identify and report to the US Internal Revenue Service (IRS), through their national tax authority (in the case of the Czech Republic, the Specialized Tax Authority), accounts they maintain for American persons (otherwise known as US persons).

As with CRS, the purpose of FATCA is to prevent and detect tax evasion by U.S. taxpayers abroad.

On the basis of Act No. 164/2013 on International Cooperation in Tax Administration and the Intergovernmental Agreement between the Czech Republic and the United States of America on Improving International Tax Compliance and with regard to the United States of America's information and reporting legislation commonly known as the Foreign Account Tax Compliance Act, the Bank has been identifyingr US persons among new and existing clients

since July 2014. The documentation required to comply with the FATCA rules is then completed with these clients, i.e. in particular confirmation of selected US tax forms W-9 (in the case of a US person client) or W8-BEN (in the case of a non-US person client). The Bank fulfils its FATCA identification obligation also by collecting an Self-certification on the tax residence, which is used also for CRS- Compliance purposes

**Useful links on FATCA:**

<http://www.mfcr.cz/cs/legislativa/mezinarodni-spoluprace-v-oblasti-dani/dohoda-fatca/zakladni-informace>

<https://www.irs.gov/businesses/corporations/foreign-account-tax-compliance-act-fatca>

<https://www.treasury.gov/resource-center/tax-policy/treaties/Pages/FATCA.aspx>