

The National Tax and Customs Office receives all the information about the clients' accounts

From now on all relevant information of the clients' accounts is available automatically to the National Tax and Customs Office, this is the most important amendment of the Standard for Automatic Exchange of Financial Account Information, which entered into force on the first of January, 2016, so-called CRS Agreements – emphasized the expert of Kovács Réti Szegheő Attorneys at law.

Dr. Andrea Égertz explained: starting this year, the banks constantly gather information on the clients' accounts, then they transmit them to the Office.

This regulation obligates not only national, but foreign bank as well, since they function in a CRS agreement member state.

Exchange of information from bank accounts

The national banks have already started gathering information from the clients' bank accounts, investment accounts, assets under wealth management trust.

From the 1st of January, 2016 the Standard for Automatic Exchange of Financial Account Information (CRS) the banks are obligated to gather information on financial accounts and provide these for the National Tax and Customs Office.

The purpose of the procedure is the improvement of transparency of tax matters, and under the automatic exchange of tax information, the prevention of tax evasions. The so-called „leading” participant countries – including Hungary – starts reporting of tax year of 2016 in 2017.

Are you concerned by the regulations of CRS?

Inasmuch you hold competence of tax purposes in at least one of the member states of the Agreement CRS, and your financial account is operated by a financial institutions located in one of the member states, then latter provides information of your account to the country, where your competence of tax purposes is.

In event you hold competences in more participant countries, then Your banks would provide information of your account to these particular countries – informed us the expert of Kovács Réti Szegheő Attorneys at Law.

According to CRS, the financial institutions of the member states are obligated to inform all of their clients on being under the effect of CRS by holding competences, so whether they hold a tax ID and receives income.

The definition of the financial account is very broad term, it includes the deposit account and custody account, furthermore the share capital and debt share in an investment entity. Not only the shares of a collective investment vehicle, and its shares, but the share capitals of a fund or of a similar legal arrangement relates to this definition.

Beside the values deriving from the financial accounts, during that term, the gross amounts paid for the account holder has to be reported.

Technically it means, that in the examination of all national banks, from the first of January, 2016, every single new client, who opens an account, has to make a representation of the competences. It has to be given on the representation, that the client in which CRS member state holds competence, or the fact, that the client holds none of the competences.

The client has to provide his/her tax ID of the CRS member state. For instance, if a client holds an account only in Hungary, he or she will pay personal income tax only in Hungary, and won't receive income abroad, and also has to make a simplified representation at the bank account management – warned us dr. Andrea Égertz.

Exchange of what kind of information?

Under two of the regulations of the governing bilateral agreements, the financial institutions must provide the following information for the local tax authorities, in order to transmit it to the tax authority of the country, where the account holder holds competence of tax purposes. About the persons to report, who lead their account at them. These are the following details:

- Name of the account holder, address, place and date of birth, tax ID
- account information; account number
- account balances
- interest paid or credited/ total gross amount of dividends
- in the cases specified, the charges, credits the gross amount
- the name of the account-holding financial institution identification number

As required by regulations of CRS, the banks do not establish a contractual relationship with the client who didn't make representation – highlighted eventually the expert of Kovács Réti Szegheő Attorneys at Law.