

# CRS and FATCA

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CRS and FATCA - an obligation to review, identify and report information about clients (tax non-residents and U.S. persons) to the revenue service

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

In a response to development in EU and OECD as regards automatic exchange of information in the field of taxation, where EU and OECD prepared a common standard on reporting and due diligence for financial account information, so-called Common Reporting Standard (CRS), Directive No. 2014/107/EU has been implemented into Czech legislation under Act No. 164/2013 on international cooperation in tax administration (hereinafter referred to as the "Act").

Under the aforementioned legislation, starting from 2016, Czech financial institutions are obliged to identify and review the tax residency of its clients. Based on this identification, financial institutions will report selected information about its foreign clients who are tax residents in a majority of developed foreign countries (there will be about 100 participating jurisdictions) to the Czech revenue service on an annual basis for the previous calendar year (for the first time in 2017 with respect to information for 2016).

This information consists mainly of the client identification including the tax identification number of the client, information about values in asset accounts at the end of the calendar year and information about any dividends and income from redemptions during that year.

The Czech revenue service will submit the information to tax administrators of other participating jurisdictions. Foreign institutions in participating jurisdictions will proceed in a similar way, i.e. information about Czech/Slovak tax residents and their foreign accounts and income will be submitted by these foreign institutions via a foreign revenue service to the Czech/Slovak revenue service in order to verify the correct taxation of foreign income of Czech/Slovak tax residents.

Pioneer Asset Management, a.s. and Pioneer investiční společnost, a.s. (hereinafter jointly referred to as Pioneer Investments) meet their CRS identification obligation by collecting data from each Pioneer Investments form (contract) or from the client's [CRS Declaration Form](#) where the client confirms the country of his or her tax residence, and related documentation. In case of tax non-residents, the client shall also provide the tax identification number. If the client is a tax resident in several countries, he or she will enter all tax residences and assigned tax identification numbers.

Data collection and the declaration primarily apply to clients entering into a new contract with Pioneer Investments.

However, the requirement to obtain the declaration may apply to existing clients as well. The declaration is issued for an unlimited period of time and unless there are any changes of circumstances (e.g. moving to a different country), the client will be only asked to provide it once.

### **Useful links:**

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

[https://ec.europa.eu/taxation\\_customs/tin/tinByCountry.html](https://ec.europa.eu/taxation_customs/tin/tinByCountry.html)

<http://www.oecd.org/tax/automatic-exchange/crs-implementation-and-assistance>

## FATCA (Foreign Account Tax Compliance Act)

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FATCA is a 2009 United States federal law which requires that foreign financial institutions (including Pioneer Investments) identify and report any financial accounts held by U.S. persons to the U.S. Internal Revenue Services (IRS) via a national revenue service (in case of CR it is the Specialized Tax Office). Like CRS, FATCA aims at preventing and detecting tax frauds of (U.S.) taxpayers abroad.

Under the above Act No. 164/2013, on international cooperation in tax administration and under the intergovernmental Agreement between the Czech Republic and the United States of America to Improve International Tax Compliance and with Respect to the United States Information and Reporting Provisions Commonly Known as the Foreign Account Tax Compliance Act, U.S. persons are identified in case of both new and existing clients starting from July 2014.

The Prohibited Investor Principle is strictly applied for all new clients who are U.S. persons, i.e. the prohibition to distribute Pioneer Investments products in the U.S.A. and to U.S. persons. Existing clients who are U.S. persons will need to provide additional documentation required to comply with FATCA rules, i.e. mainly the confirmation of selected U.S. tax forms W-9, W8-BEN or W8-BEN-E; however, the Prohibited Investor Principle is also strictly applied with respect to existing clients and any Pioneer Investments products shall be compulsorily redeemed.

The verification of the client's status for the purposes of FATCA is carried out by collecting data from each Pioneer Investments form (contract) or using [Client CRS Declaration Form](#).

### Useful links:

<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>

*Pioneer Investments hereby announces that under Act No. 164/2013 Coll., on international cooperation in tax administration and on the amendment of certain related acts, as amended, it will also apply due diligence according to Annex 2 of the aforementioned act for previously existing accounts held by entities whose value does not exceed the equivalent of USD 250,000 as at 31 December 2015.*