

MEMORANDUM OF UNDERSTANDING

**between
the Ministry of Finance of the Czech Republic
and**

the Ministry of Finance of the Republic of Estonia

**on Mutual Administrative Assistance in the Field of Exchange of Information
for Tax Purposes**

Preamble

The Ministry of Finance of the Czech Republic and The Ministry of Finance of the Republic of Estonia, hereinafter referred to as "Parties", desiring to strengthen the bilateral cooperation in tax matters,

Have decided to conclude the following Memorandum of Understanding, hereinafter referred to as the "Memorandum":

Article 1 Legal Basis

According to Article 26 of the Agreement between the Czech Republic and the Republic of Estonia for the avoidance of double taxation with respect to taxes on income and on capital signed in Tallinn on 24th of October 1994, hereinafter referred to as the "Tax Treaty", having regard the provisions of Council Directive 2003/48/EC concerning taxation of savings income in the form of interest payments, hereinafter referred to as the "Savings Directive", Council Directive 77/799/EEC concerning mutual assistance by the competent authorities of the Member States in the field of direct taxation, certain excise duties and taxation of insurance premiums, with subsequent amendments, hereinafter referred to as the "Directive", the competent authorities nominated in the Tax Treaty shall exchange information, which is necessary for the accurate assessment and collection of taxes covered by the Tax Treaty and the Directive and the Savings Directive, as well as for the prevention of fiscal fraud and evasion.

Article 2

Exchange of Information

1. The parties of both States have agreed to establish the procedures for the exchange of information necessary to carry out the provisions of this Memorandum or of the domestic laws of both States concerning taxes covered by the Tax Treaty and the Directive insofar as the taxation thereunder is not contrary to the Tax Treaty and the Directive. The following forms of the exchange will be applied:
 - a) On request as regards particular cases;
 - b) Automatically as regards specific items of income listed in Article 4 of this Memorandum;
 - c) Spontaneously;
 - d) Presence of tax officials of one State in the territory of the other State mentioned in Article 6 of this Memorandum.
2. The competent authority of one State shall inform the competent authority of the other State on the amendments to laws, which may affect the obligations of the first State, pursuant to this Memorandum.
3. Any information exchanged on request, automatically or spontaneously shall be in English, except for the enclosures.

Article 3

Exchange on Request

1. Information shall be supplied on request for purposes referred to in Article 1 of this Memorandum. Both competent authorities shall use their best endeavours to provide information on request as soon as possible. If the requested competent authority is unable to respond to the request within six months, it shall inform the applicant competent authority about the date when it would be likely to be able to respond.
2. Both parties have agreed that there could be special cases when it is necessary to receive information earlier than in a six months' period as otherwise the investigation would be inefficient. The factors considered in determining whether a case is to be selected shall primarily be, but shall not be limited to:
 - indication of tax evasion,
 - indication of tax fraud,
 - indication of substantial non-compliance with the tax laws,
 - cases where the information provided by taxpayers is doubtful.
3. Requesting authority should provide a more detailed explanation of the special case mentioned to in paragraph 2 of this Article and all arguments that such request is urgent. The competent authority shall make the reference at the request as "URGENT" if the special categories of cases exist. The requested authority shall provide in urgent cases its respond with requested information as soon as possible. When requested competent authority is unable to respond in a three-month period, it informs as soon as possible the requesting authority when it considers being able to respond.

Article 4
Automatic Exchange of Information

1. As soon as possible after the end of each calendar year, the competent authority of each State shall, to the extent possible on the basis of control information and similar information available, supply automatically to the competent authority of the other State, without any special request being necessary, information concerning individuals and legal entities, in respect of:
 - a) Income from immovable property as referred to in Article 6 of the Tax Treaty;
 - b) Business profits as referred to in Article 7 of the Tax Treaty;
 - c) Dividends as referred to in Article 10 of the Tax Treaty;
 - d) Interests as referred to in Article 11 of the Tax Treaty and the Savings Directive;
 - e) Royalties as referred to in Article 12 of the Tax Treaty;
 - f) Capital gains as referred to in Article 13 of the Tax Treaty;
 - g) Salaries, wages and other similar remuneration in respect of an employment as referred to in Article 15 of the Tax Treaty;
 - h) Director's fees and other similar payments as referred to in Article 16 of the Tax Treaty;
 - i) Income derived by artists and sportsmen as referred to in Article 17 of the Tax Treaty;
 - j) Pensions and other similar remuneration as referred to in Article 18 of the Tax Treaty;
 - k) Salaries, wages and other similar remuneration paid by a State or a political subdivision or a local authority thereof as referred to in Article 19 of the Tax Treaty;
 - l) Other income as referred to in Article 21 of the Tax Treaty.
2. The information referred to in paragraph 1 of this Article shall, as much as possible, be provided in a magnetic or electronic format recommended by the bodies of the Organisation for Economic Co-operation and Development or the European Communities.
3. If the information cannot be supplied automatically, it may be communicated on a spontaneous basis.

Article 5
Spontaneous Exchange of Information

It is agreed that information obtained in the course of administration, referred to in Article 4 of the Directive and the Article 26 of the Tax Treaty and which is assumed to be of interest to the competent authority of the other State shall be exchanged spontaneously without delay. Such information shall extend in particular to:

- Circumstances that in one State have led to tax deductions or tax exemption which should result in tax increases or tax liability in the other State;
- Commissions, fees, brokers' fees and other remunerations paid to individuals or companies of the other State;
- Information concerning real estate conveyance;
- Acquisition of enterprises and the founding of or structural changes to companies.

Article 6
Presence of Tax Officials of one State in the Territory of the other State

1. At the request of the competent authority of one State, the competent authority of the other State may allow representatives of the first mentioned State to be present in that other State. Officials of the requesting State may propose specific tax examinations to the tax authority of the other State. Any decision regarding such a suggestion shall be made by the authority or official concerned of the requested State. All decisions with respect to the conduct of enquiries shall be made by the requested State. The competent authority of the requested State shall supply the relevant information obtained from the conduct of the enquiries to the other competent authority.
2. The competent authorities may by mutual agreement lay down the procedures governing the presence of foreign tax officials.

Article 7
Miscellaneous Provisions

1. The information received by the competent authorities shall be used and disclosed only as it is provided for in Article 26 of the Tax Treaty and in Articles 7 and 8 of the Directive with respect to secrecy and the limits to the information that may be exchanged under this Memorandum.
2. Any exchange of information under this Memorandum shall be made through the competent authorities of both States.
3. For the application of the Memorandum the competent authorities are:

In the Czech Republic:
Ministry of Finance
Central Financial and Tax Directorate
Direct Taxes International Cooperation Unit
Letenská 15
118 10 PRAGUE

In the Republic of Estonia:
Estonian Tax and Customs Board
Narva Road 9J
15176 TALLINN

4. The competent authorities inform each other about the name(s) of the person(s) authorised to perform the functions mentioned in this Memorandum, as well as subsequent changes of the person(s).
5. The competent authorities shall consult each other, whenever necessary, to facilitate the carrying out of the obligations under this Memorandum.

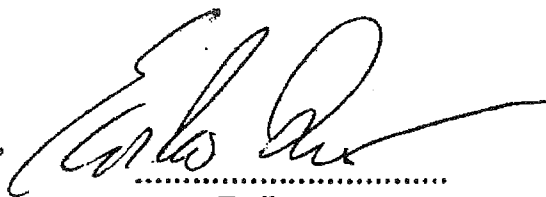
Article 8
Entry into Force. Modifications. Termination

1. This Memorandum shall enter into force on the date of its signing by both Parties and may be modified at any time by a written agreement between the Parties.
2. This Memorandum is concluded for an indefinite period of time. It may be terminated by written notification by either Party and shall cease to be operative six months after such notice has been given.
3. This Memorandum will be reviewed three years after its signature.

Signed in duplicate in the English language.

Tallinn,

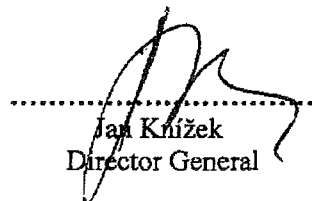
For the Minister of Finance of the Republic of Estonia,
Estonian Tax and Customs Board:



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Enriko Aav
Director General

Prague,

For the Minister of Finance of the Czech Republic,
Central Financial and Tax Directorate:



.....
Jan Křížek
Director General

