

**DECLARATION OF UNDERSTANDING REGARDING THE 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**

At the signing today of the 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 (hereinafter the “Agreement”), the representatives of the Czech Republic and the United States of America wish to confirm their understanding of the following:

With reference to subparagraph 1(kk) of Article 1 of the Agreement

It is understood that the term “Czech TIN” includes the identifier used for tax purposes.

With reference to subparagraph 2(a)(3) of Article 2 of the Agreement

It is further understood that the Czech Republic intends for each Reporting Czech Financial Institution to use a Global Intermediary Identification Number issued by the IRS as the identifying number referenced in subparagraph 2(a)(3) of Article 2 of the Agreement.

With reference to paragraph 7 of Article 3 (Time and Manner of Exchange of Information) of the Agreement

It is understood that paragraph 1 sentences 3 through 5 of Article 27 of the Convention, applies to all information exchanged under the Agreement and sentence 5 of that paragraph applies accordingly for all persons or authorities in case the exchanged information is disclosed in public court proceedings or in judicial decisions.

With reference to subparagraph 1(c) of Article 4 of the Agreement and other references to registration requirements applicable to Financial Institutions in Partner Jurisdictions

It is understood that the Czech Republic intends for Czech Financial Institutions to comply with the registration requirements applicable to Financial Institutions in Partner Jurisdictions by registering with the IRS and obtaining a Global Intermediary Identification Number from the IRS.

With reference to paragraph 1 of Article 5 of the Agreement (Collaboration on Compliance and Enforcement)

It is understood that no new obligations other than currently in effect under the Convention are introduced under the Agreement when the Competent Authority of such other Party applies its domestic law (including applicable penalties) to obtain corrected and/or complete information or to resolve other infringements of the Agreement, and it is also understood that no provisions of the Convention, including the mutual agreement procedure under the Convention are limited or amended by the Agreement.

With reference to paragraph 1 of Article 10 (Term of Agreement) and paragraph 10 of Article 3 of the Agreement

The United States understands that the Czech Republic plans to present the Agreement to its Parliament for its approval in 2014 together with draft legislation that is to implement the provisions of the Agreement with the goal of having the Agreement and the legislation enter into force not later than September 30, 2015. Based on this understanding, as of the date of signature of the Agreement, the United States Department of the Treasury intends to treat each Czech Financial Institution, as that term is defined in the Agreement, as complying with and not subject to withholding under section 1471 of the U.S. Internal Revenue Code during such time as the Czech Republic is pursuing the necessary internal procedures for entry into force of the Agreement. The United States further understands that the Czech Republic's Ministry of Finance intends to contact the United States Department of the Treasury as soon as it is aware that there might be a delay in the Czech internal approval process for entry into force of the Agreement such that the Czech Republic would not be able to provide its notification under paragraph 1 of Article 10 of the Agreement prior to September 30, 2015. If upon consultation with the Czech Republic, the United States Department of the Treasury receives credible assurances that such a delay is likely to be resolved in a reasonable period of time, the United States Department of the Treasury may decide to continue to apply FATCA to Czech Financial Institutions in the manner described above as long as the United States Department of the Treasury assesses that the Czech Republic is likely to be able to send its notification under paragraph 1 of Article 10 by September 30, 2016. It is understood that should the Agreement enter into force after September 30, 2015, any information that would have been reportable under the Agreement thereafter (and prior to its entry into force) had the Agreement been in force by September 30, 2015, is owed on the September 30 next following the date of entry into force.

With reference to Article 8 (Consultations and Amendments) of the Agreement

The Competent Authority of the United States intends to notify in writing the Competent Authority of the Czech Republic of any substantial modification of the FATCA legislation or regulations.

Signed at Prague, in duplicate in the Czech and English languages, this 4 day of August, 2014.

For the Czech Republic:



For the United States of America:

