

**Joint Statement of the Competent Authority of the United States of America and the  
Competent Authority of Hungary on the Implementation of the Spontaneous Exchange of  
Country-by-Country Reports for Fiscal Years Beginning in 2021**

The Competent Authority of the United States of America and the Competent Authority of Hungary (the “Competent Authorities”),

Desiring to increase international tax transparency and improve access of their respective tax authorities to information regarding the global allocation of the income, the taxes paid, and certain indicators of the location of economic activity among tax jurisdictions in which multinational enterprise groups (“MNE Groups”) operate through the exchange of annual country-by-country reports (“CbC Reports”), with a view to assessing high-level transfer pricing risks and other base erosion and profit shifting related risks, as well as for economic and statistical analysis, where appropriate,

Recognizing that the laws of the United States of America and the laws of Hungary require an MNE Group to annually file a CbC Report conforming to the requirements of the final consolidated report, entitled Transfer Pricing Documentation and Country-by-Country Reporting, on Action 13 of the OECD/G20 Action Plan on Base Erosion and Profit Shifting (“2015 Report”),

Acknowledging further the appropriate use conditions described in paragraphs 25 and 59 of the 2015 Report as endorsed by the OECD and in the G20 Leaders Communique in November 2015 and acknowledging that their laws and administrative practices comport with those conditions,

Noting that the Agreement between the Government of the United States of America and the Government of Hungary on the Exchange of Country-By-Country Reports, done at Budapest on October 25, 2018, is expected to terminate in accordance with its terms on January 8, 2023 and that the Arrangement between the Competent Authority of the United States of America and the Competent Authority of Hungary on the Exchange of Country-By-Country Reports, signed on November 20 and December 6, 2018, is expected to become inoperative consistent with its terms on January 8, 2023,

Acknowledging that the Convention on Mutual Administrative Assistance in Tax Matters, done at Strasbourg on January 25, 1988 (the “Convention”), authorizes the exchange of information for tax purposes (hereinafter the “Convention” refers to the Convention and any amendments thereto that are in force for both the United States of America and Hungary),

Desiring to exchange CbC Reports pursuant to the Convention and subject to the confidentiality and other protections provided for in the Convention, including the provisions limiting the use of the information exchanged under the Convention,

Noting that the Government of the United States of America and the Government of Hungary are negotiating an intergovernmental agreement and a competent authority arrangement to allow for the automatic exchange of CbC Reports under the Convention,

Declaring their desire to exchange CbC Reports with respect to fiscal years of MNE Groups commencing on or after January 1, 2021, and before January 1, 2022, prior to entry into force of the intergovernmental agreement and signature of the arrangement,

Have reached the following understandings:

1. The United States of America and Hungary each have in place appropriate safeguards with respect to the confidentiality and use of information exchanged and the infrastructure for an effective exchange relationship.
2. Assessing high-level transfer pricing risks and other base erosion and profit shifting risks, as well as economic and statistical analysis, where appropriate, are critical objectives of exchanging CbC Reports that should not be postponed, and that CbC Reports for fiscal years of MNE Groups commencing on or after January 1, 2021, and before January 1, 2022 (“Spontaneously Exchanged CbC Reports”) are relevant to these objectives.
3. The Competent Authority of Hungary confirms that when (i) a U.S. MNE Group files a Spontaneously Exchanged CbC Report with the U.S. Internal Revenue Service conforming to the requirements of the 2015 Report; (ii) the U.S. MNE Group has one or more constituent entities that are resident for tax purposes in Hungary or subject to tax with respect to the business carried out through a permanent establishment situated in Hungary; and (iii) the CbC Report is spontaneously exchanged with the Competent Authority of Hungary pursuant to the Convention, then none of the constituent entities of such a U.S. MNE Group has a local filing obligation in Hungary. In this respect, the Hungarian tax administration has published guidance on its website (<https://nav.gov.hu>).
4. The Competent Authorities intend to spontaneously exchange Spontaneously Exchanged CbC Reports pursuant to the Convention as soon as possible and no later than 15 months after the last day of the fiscal year of the MNE Group to which the Spontaneously Exchanged CbC Report relates. Such reports should be exchanged through a common schema in Extensible Markup Language (XML).
5. Each Competent Authority intends to notify the other Competent Authority when the first-mentioned Competent Authority has reason to believe, with respect to a reporting entity that is resident for tax purposes in the jurisdiction of the other Competent Authority, that an error may have led to incorrect or incomplete information reporting. The notified Competent Authority intends to take appropriate measures available under its domestic law to address the errors described in the notice.
6. All information exchanged is subject to the confidentiality and other protections provided for in the Convention, including the provisions limiting the use of the information exchanged.
7. Consistent with best cooperation practices and to the extent permitted under applicable

law, each Competent Authority intends to notify the other Competent Authority immediately regarding any cases of use or disclosure inconsistent with the appropriate use conditions described in paragraphs 25 and 59 of the 2015 Report as endorsed by the OECD and in the G20 Leaders Communique in November 2015 and the rules set out in paragraph 6 of this Joint Statement, including regarding any remedial actions or measures taken in respect of such cases that are inconsistent with the above-mentioned paragraphs.

8. Where a person considers that an adjustment to the taxable income of a constituent entity, as a result of further inquiries based on the data in the CbC Report, results for such person in undesirable economic outcomes, including if such a matter arises for a specific business, and notifies the Competent Authority of the jurisdiction of tax residence of the reporting entity, the Competent Authorities intends to endeavor to resolve the matter.
9. Any terms used but not defined herein are intended to have the meanings provided in the relevant, existing, published procedures and guidance of the United States of America and Hungary.

For the Competent Authority of the  
United States of America:

For the Competent Authority of  
Hungary:

Holly O. Paz  
Commissioner, Large Business &  
International, Internal Revenue Service

Mihály Varga  
Minister of Finance

\_\_\_\_\_

Date

\_\_\_\_\_

Date