



Dear Shareholders!

The general meeting of CIG Pannonia Life Insurance Plc. held 17 April 2019 has passed a resolution on the reduction of the share capital of the Company by 660.997.820 HUF. In case you were the owner of CIGPANNONIA shares on the record date of 10 April 2019 and you were registered into the registry of shareholders at the latest by the second working day preceding the beginning of the general meeting, you are entitled for capital contribution. Please read the below information carefully in order that the Company can pay you the exact amount of the capital contribution you are entitled for fully in compliance with the relevant taxation laws and regulations. It is important that you provide the necessary documents and declarations set forth below since in lack of these documents the Company shall consider the total amount of the payment of the capital contribution as an income and shall deduct the tax accordingly.

We have summarised in this information letter the obligations related to taxation matters in connection with the payment of the capital contribution. We kindly ask for your cooperation in order to fulfil these obligations in compliance with the taxation laws and regulations.

1) The amount of tax to be deducted from the payment - General provisions

In case you have a domestic tax residency, you **do not keep your shares in a long term investment account** and your yearly social contribution tax payment duty (expectedly) **doesn't reach the limit of 697.320 HUF** then your taxation duties shall be defined according to the general provisions. If one of the abovementioned conditions do not apply for you please read the further part of this information letter containing the special provisions.

1.1. What kind of income is arisen?

You as a shareholder of CIG Pannonia Life Insurance Plc. are entitled for capital contribution due to the reduction of the share capital of the Company through the decrease of the nominal value of the shares. The income arisen from the transaction is construed as income withdrawn from business within the framework of personal income tax rules.

1.2. How to define the amount?

The part of the payment that exceeds the acquisition value of the shares in proportion to measure of the reduction of the share capital is construed as **taxable income**. The acquisition value is defined in part 1.3.

1.3. How to define the acquisition value of the shares?

The relevant provisions of the law shall be applied by defining the acquisition value. The acquisition value has to be verified for instance by a verification issued by the securities account manager. In case you are the owner of different share packages (i.e. you have shares that you have purchased at different times on a different acquisition value) you have to provide the acquisition value per share package. The most common ways of defining the acquisition value are the follows:



- in case of **stock exchange purchase** it is the transaction-based verified consideration
- in case of **OTC deal** it is the verified performed amount
- in case of **inheritance or gifting** it is the amount that the duties were calculated upon. If no duties were imposed it is the value set forth in the probate inventory (inheritance) or the acquisition value verified by the donating person (if there is no such verification then the acquisition value cannot be taken into consideration)
- in case you received it as an **income** that you have paid the tax for, then it is the amount of the income and the verified performed consideration

1.4. How to count the income (the tax base)?

The income (tax base) is the revenue received from the Company's assets reduced by that part of the acquisition value of the shares **in proportion with the amount of the reduction of the share capital**. According to the Company's resolution 31,96 HUF shall be paid per share and the share capital of the Company shall be reduced by 17,5 per cent, that means from , 3.777.130.400 to 3.116.132.580 HUF. The income (tax base) is to be counted per share as follows: 31,96 Ft – 17,5 % x (the acquisition value). For an example, if the amount of the acquisition value is:

- 100 HUF, the income = $31,96 - 17,5 \% \times 100 = 31,96 - 17,5 = 14,46$ HUF (tax base is arisen)
- 182,63 HUF, the income = $31,96 - 17,5 \% \times 182,63 = 31,96 - 31,96 = 0$ HUF (no taxation duties)
- 400 Ft, the income = $31,96 - 17,5 \% \times 400 = 31,96 - 70 = -38,04$ HUF (no taxation duties).

It is obvious from the abovementioned examples that those shareholders do not have to pay tax after the capital contribution who paid 182,63 HUF or a higher amount per share as an acquisition value. **However, the acquisition value has to be verified in this case as well.**

1.5. What is the amount of tax to be paid after the income?

If you have to pay tax according to point 1.4. after the income arisen from the capital contribution the Company shall deduct **15 per cent of personal income tax** and **19,5 per cent of social contribution tax** from the amount you are entitled for from the capital distribution (31,96 HUF per share).

2) The special rules of the determination of tax liability

2.1 In case the social contribution tax you have paid reaches, or expectedly will reach the limit of 697.320 during the year of 2019:

The definition of the **upper limit of taxation** is an important factor from the aspect of social contribution tax. It means that in case a natural person has already paid or expectedly will the pay an amount of social contribution after the income that is 24 times higher than the minimum salary, the person **shall not pay social contribution tax after the amount of the capital contribution**. The person might **make a declaration** that he or she has reached or expectedly will reach the upper limit of taxation (in order to apply this rule).



It means that for example if your gross salary reaches or exceeds 298.000 HUF you can claim in a declaration that the Company shall not deduct 19,5 per cent of social contribution tax at the payment of the capital contribution.

It is important to pay attention to the fact that in case your income doesn't reach the upper limit of taxation then you have to pay the tax increased by 6 per cent.

2.2 In case the shareholder has a foreign tax residency:

If the shareholders does not have a domestic (Hungarian) tax residency it is necessary to investigate if there is an international taxation agreement between Hungary and the foreign country of the residency in order to avoid double taxation. If such an agreement exists the shareholders has to verify the foreign residency with a documents issued by the tax authority of the country in order that the Company can deduct the amount of tax set forth in the agreement. The verification of tax residency can be accepted in English language or official Hungarian translation according to the law. If there is no taxation agreement between the two countries the Company shall deduct 15 per cent of personal income tax according to the general rules.

According to the social security rules the Company shall **not deduct social contribution tax from the foreign** (for instance in the lack of domestic address) natural persons.

2.3. In case the shares are kept on a long term investment account:

If your shares are registered to the long term investment depository registry at the time of the record date of the shareholder identification then the payment is going to be registered to the long term investment account registry. Since the amount stays within the closed system of the long term investment account the Company shall not deduct any tax from the payment.

3) Rules of procedure

3.1. Who, when and how has to declare and pay the amount of the tax?

The personal income tax and the social contribution tax shall be **deducted and paid by CIG Pannónia Life Insurance Plc.** according to **your verifications and declarations.** The Company **provides data** to the tax authority as well in the declaration prepared of the month of the payment. Your personal data shall be reviewed and adjusted in order to provide the data related to your capital contribution to the tax authority and as well as to prepare the **tax certificate.**

3.2. Yearly personal income tax declaration

The **tax authority will prepare** the draft of the tax declaration from the year of 2019 (expectedly it will be available by March 2020) which will contain your income arisen from the payment of the capital contribution. The Company will provide the necessary data to the authorities thereto. We suggest that you check upon the content of your draft of tax declaration prepared by the tax authorities. If you decide to draft your tax declaration **on your own** please consider the information set forth



in the tax certificate that the Company will send you after the payment is carried out.

4) Why we need your participation and cooperation

It is inevitable to emphasise that **if the shareholders do not provide the verification** of the acquisition value of the shares the Company **shall consider the total amount of the payment as an income** and shall define the taxation duties based upon. If the shareholders do not make a declaration regarding the **upper limit of the taxation** the Company shall define the social contribution tax based upon the **total amount of the income**. If you have a foreign tax residency but you do not provide the relevant verifications until the payment is carried out, the Company shall define the taxation duties according to the **general rules**. Finally, if you do not make a declaration according to the social security rules and regulations about your **foreign status** then you cannot be exonerated from the payment of the social contribution tax.

5) What to do if the capital contribution is paid to a business organization (not to a natural person)?

In this case the full amount of the payment can be allocated to the business organization **without deducting any tax** since it's the duty of the business organization according to the taxation laws and regulation to do the tax treatment. If the business organization is a taxable entity of the corporate taxation it has the possibility of tax deduction in connection with the capital contribution.

6) Necessary verifications, declarations to provide

We would like to ask you to provide the relevant verifications and documents latest until **15 July 2019** to the data processor of CIG Pannonia Life Insurance Plc. to the following address: **RITZL és TÁRSA Számviteli és Adótanácsadó Kft., 2085 Pilisvörösvár, Pf.: 10.**

We are going to send you by post the below declarations that you have to complete with the following data:

- pieces of personal data
- declaration about the tax residency
- declaration about the upper limit of taxation related to social contribution tax (set forth in part 2.3.)

Necessary verifications

- if your shares are not kept in a long term investment account, the verification of the acquisition of shares is needed (for instance the verification issued by the securities account manager)
- verification of foreign tax residency (set forth 2.1.)

Should you have any questions please call the phone number of our customer service (+36 70 515 9440) or ask for further information via e-mail (cigkifizetes@cig.eu).

We draw the attention that the declarant is held liable for the content of the declarations that shall fully comply with the truth.



CIG PANNÓNIA
BIZTOSÍTÓ

Thank you for your cooperation!

CIG Pannonia Life Insurance Plc.

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