ICMA

Appendix A17

Withholding tax

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Appendix A17 - Withholding tax

1 Bonds offered internationally are structured so that, on issue, the interest on the bonds is free of all tax in the country of the issuer (and guarantor). *September 2015*

2 The terms of the bond normally provide that in the event of a future change in tax laws in the country of the issuer (and guarantor) which would impose tax on interest by way of withholding, the issuer will gross up for such withholding: *September 2015*

(a) provided the investor has no connection with that country other than the mere holding of the bond;

(b) provided the investor takes specified reasonable measures available to it to avoid the incidence of withholding and so the obligation to gross up, such as (i) not delaying the collection of the interest beyond a specified period, (ii) seeking payment from any paying agent outside the country of the issuer (and guarantor), and/or (iii) complying with any statutory requirements and/or by making any non-residence declarations or similar exemption claims; and

(c) unless one of the exceptions in paragraph 2.3 below applies.

Any other exception is to be disclosed in the Initial Syndicate Communication pursuant to ICMA Recommendation R4.1(g).

3 This structure is due to the fact that investors outside the country of the issuer (and guarantor) may be unable to obtain a refund or credit for the withheld tax, and the fact that even if they can this will take time and in the meantime cause a cash flow loss. *September 2015*

4 The issuer would generally also have the right to redeem the bonds in the circumstances noted in paragraph 1.2 above (otherwise it would face potentially unlimited liabilities due to the future change in tax laws in the country of the issuer and any guarantor), generally subject to four conditions: *September 2015*

(a) notice of redemption not being deliverable earlier than the date 90 days before the earliest date on which grossing up would be required were a payment in respect of the relevant securities then due;

(b) the issuer being required to take reasonable measures available to it to avoid the incidence of withholding and so the obligation to gross up (such as maintaining paying agents in several countries);

(c) the issuer satisfying any trustee of the bonds, and/or certifying, that the necessary conditions precedent to the right to redeem have been met; and

(d) in the case of floating rate notes, redemption being made only on an interest payment date.

5 Bonds offered internationally have historically generally been structured so that the investors are able to collect principal and interest without being required to sign certificates or otherwise identify themselves. However, certification or identification requirements, depending on how they are structured, may be compatible with international offers and some are applied. *September 2015*