



What is the Quoted Eurobond Exemption?

In general, where a debt is owed by a UK entity to any entity or person who is not resident in the UK and interest is payable on that debt, then the UK entity is obliged to deduct UK withholding tax in respect of the interest amount payable. There are certain reliefs from this rule, for example, where a double tax treaty applies, however, this requirement can still prove to be a burden from an administrative/cost perspective and can sometimes be a disincentive to investing in the UK. The UK Government recognises the need to strike a balance between raising tax and promoting inbound investment and has therefore taken steps to provide for certain withholding tax exemptions.

One such exemption is the 'Quoted Eurobond Exemption'. If a debt meets certain requirements to be classified as a 'Quoted Eurobond' then tax does not need to be withheld on interest payments in respect of that debt.

How do you benefit from the Quoted Eurobond Exemption?

In order to qualify for the 'Quoted Eurobond Exemption' the debt must be in the form of a security and must: i) be issued by a company; ii) carry the right to interest; and iii) be listed on a recognised stock exchange. If these requirements are met then the 'Eurobond' should be exempt from the obligation to pay UK withholding tax in respect of the interest payable on the debt.

There are a large number of recognised exchanges on which the Eurobond can be listed and the choice of which exchange to choose is often driven by the different disclosure rules that apply to the listing and the costs associated with the specific exchange.

How can Deloitte Legal help?

Deloitte Legal's Corporate Reorganisation team has significant experience advising clients on all aspects of intra-group and private-equity backed debt listings in order to benefit from the 'Quoted Eurobond Exemption'. We typically advise on listings on the Cayman Stock Exchange or The International Stock Exchange (Channel Islands). We prepare the necessary documentation, manage correspondence with the listing agent and coordinate feedback with the selected exchange. The process usually takes between 6 to 8 weeks, although listing can be completed on an expedited basis.

What does the process involve?

The process for listing a 'Eurobond' can vary slightly depending on which exchange is selected. However, the process generally involves the preparation of listing particulars which set out the details of the issuer and of the debt, as well as other supporting application documentation.

The listing particulars and other application documents are then submitted to the exchange for comment. After all comments are received and the documents are signed off by the exchange, the final application can be submitted and the listing usually takes place shortly after the final submission (often on a same day basis if the application is submitted before midday). It is worth noting that the exchange will not release its comments on the listing particulars and any other supporting documentation until the issuer has settled the initial invoice from the exchange.

It is also necessary to have a listing agent in the jurisdiction in which the debt is listed and we work with local advisers who can take on the role of the listing agent for the Eurobond.

In addition to assisting with the debt listing itself, Deloitte Legal's Corporate Reorganisation team can also assist with any restructuring steps which may be necessary prior to proceeding with the listing.

If you would like to discuss the 'Quoted Eurobond Exemption' in further detail then please contact Rachel Hossack, Nirosha Perera, Jesika Patel or Pete Grigor.



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