



Introduction

Normally, UK withholding tax becomes payable when a UK resident company (the “**Borrower**”) pays interest on a loan to an overseas lender.

The Borrower, however, is not completely disadvantaged as it can benefit from a tax deduction for the whole of the interest. Where the lender, also, is for example tax based in another EU member state that has a tax treaty with the UK, no withholding tax may apply. There are, however, important practical issues for the lender and potential cash flow difficulties due to the time it may take to recover the tax withheld.

The “Quoted Eurobond Exemption”

In order to render UK companies more attractive to foreign lenders, the UK government introduced the “Quoted Eurobond Exemption” in 1984, which, when applicable, means that no UK withholding tax becomes payable when the Borrower pays interest on a loan to an overseas lender (the “**Exemption**”).

To benefit from the Exemption, pursuant to section 987 of the Income Tax Act 2007 (the “**ITA**”) the securities must:

- carry a right to interest;
- be issued by a company – it is common, but not necessary, to incorporate a Jersey SPV (the “**SPV**”) created specifically for the transaction and which will therefore not have any previous operating history. An SPV in Jersey can be incorporated quickly (usually within 1-2 days or within a few hours using a “fast-track” procedure). Typically, the SPV would then lend the issuance proceeds to its “parent”; and
- be listed on a recognised stock exchange – TISE is designated as a Recognised Stock Exchange under section 1005 of the ITA.

Why use TISE?

Established in 1998, headquartered in Guernsey and with offices in Jersey and the Isle of Man, TISE has now more than 2,000 listed securities on its official list with a total market capitalisation of more than £300 billion. TISE provides a listing facility and a market for companies to raise capital from international investors based on a bespoke trading platform. Its efficient and personalised approach and competitive listing fees continue to attract new issuers and promoters. TISE has received a number of international recognitions. In addition to being designated as a Recognised Stock Exchange under section 1005 of the ITA, TISE has also been officially recognised by the US Securities & Exchange Commission and the Australian Securities Exchange. TISE is also an affiliate member of the World Federation of Exchanges.

A wide range of products may be listed on TISE, including:

- trading companies;
- specialist debt;
- investment vehicles;
- special purpose acquisition companies (SPACS); and



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- extractive industries.

TISE offers the following key advantages:

- international recognition;
- personalised approach and fast document turnaround;
- pragmatic approach to disclosure requirements;
- competitive pricing;
- international standards of issuer regulations;
- operates outside the EU so no EU directives apply;
- no requirement to appoint a local paying agent in the Channel Islands; and
- does not typically require securities to be entered into a clearing system.

Voisin’s Capital Markets and Structured Finance team

Voisin’s capital markets and structured finance team is highly experienced and has advised on many complex and innovative transactions. Our focussed, proactive and friendly team provides efficient, seamless and prompt advice and boasts a portfolio of clients which includes some of the world’s leading financial institutions. Our close relationship with local regulatory authorities, listing authorities, service providers and advisers worldwide enables us to work as part of any team. We provide high quality cost effective professional services for the listing of both equity and debt securities on TISE.

We are passionate about our work and strive for excellence in everything we do. For further information or specific advice, please contact [Kate Anderson](#) or [Chris Le Quesne](#) of Voisin.

This note is intended to provide a brief rather than a comprehensive guide to the subject under consideration. It does not purport to give legal or financial advice that may be acted or relied upon. Specific professional advice should always be taken in respect of any individual matter.