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Applicability of the Special Taxation Regime of Debt Securities to the Noteholders of Securitized Bonds

It was recently disclosed the Circular no. 4/2014 (“**Circular**”), issued by the Services Direction for International Relations of Tax Authority (“*Direção de Serviços das Relações Internacionais da Autoridade Tributária*”), which clarifies the scope of application of the Special Taxation Regime of Debt Securities enacted by Decree-Law no. 193/2005, of 7 November (“**Special Regime**”), in consequence of the amendments made therein by Law no. 83/2013, of 9 December.

According to these amendments, the Special Regime applies to debt securities, including commercial paper, issued either by public or private entities, integrated in a centralized system managed by

- > resident entities in Portugal, by
- > international managing entities established in other EU Member States or in a EEA Member State, provided that, in the latter case, this State is bound to duties related to administrative cooperation in the field of taxation, in equivalent terms to the ones established in the EU, or by
- > any other non-resident entities of central clearing and settlement systems duly authorized to such purpose by the member of the Portuguese Government responsible for the finance matters, upon application by the issuer.

In this context, the Circular unequivocally confirms that the Special Regime is also applicable to bonds issued under securitization transactions (“**Securitized Bonds**”), provided that the other mandatory requirements and procedures established therein are met.

Therefore, the effective beneficiaries of income arisen from the Securitized Bonds will benefit from the (more favourable) tax conditions established in the Special Regime, as these rulings (i) amplify the number of potential investors which can benefit from the IRS/IRC exemptions; and (ii) simplify the procedures regarding the certification as a non-resident by all the players, as applicable.

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