

# UBS Custody *News*

**Priority: Medium – Market: Portugal**

## Favorable changes to withholding tax on interest from Portuguese bonds held with Clearstream Banking SA

**Withholding tax on interest from Portuguese bonds will no longer apply to certain non-resident investors.**

### Background

UBS Switzerland AG has certified its accounts held with Clearstream Banking SA with respect to the Portuguese law 193/2005 amended by law 83/2013.

### Impact on Portuguese bonds held with Clearstream Banking SA

Withholding tax on interest from Portuguese bonds, covered by the Portuguese law 193/2005 amended by law 83/013, which include the majority of Portuguese bonds, will no longer apply to investors not resident in Portugal or in a territory considered as a tax haven according to the definition by the Portuguese Tax Authority and not having an existing Double Taxation Treaty (DTT) or Tax Information Exchange Agreement (TIEA) with Portugal. Interest is paid gross without any additional investor's disclosure.

Furthermore, Portuguese bonds held on behalf of investors resident in a tax haven territory according to Portuguese tax law are now allowed to be redeposited with Clearstream Banking SA. 35% withholding tax is applicable on interest payments. No withholding tax is applicable on accrued interest resulting from a purchase or sale.

### Portuguese bonds held with UBS' local custodian bank in Portugal

In case Portuguese bonds are not redeposited with Clearstream Banking SA but with UBS' local custodian bank in Portugal, withholding tax rates remain the same as following:

- 25% in case the investor is a legal entity domiciled in Portugal and the bonds are held within a segregated and disclosed account.
- 28% in case the investor is an individual resident in Portugal and the bonds are held within a segregated and disclosed account.
- 35% in all other cases.

The same withholding tax rates also apply on accrued interest resulting from a purchase or sale resp. receipt or delivery.

All interest withholding tax rates are applicable to Portuguese domestic bonds as well as to Eurobonds issued by an entity domiciled in Portugal.

The current list of territories considered as tax havens according to the definition by the Portuguese Tax Authority and not having an existing DTT or TIEA with Portugal is attached to this UBS Custody News.

### Entry into force

The new withholding tax rates and investor restrictions with regard to Portuguese bonds held with Clearstream Banking SA apply as of July 16, 2018.

### Sources:

*UBS Switzerland AG, Clearstream Banking SA*

Should you have any questions, please contact your UBS Custody Relationship or Client Service Manager.

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