

**THIRD SUPPLEMENT DATED 29 AUGUST 2013  
TO THE BASE PROSPECTUS DATED 28 JUNE 2013  
AS SUPPLEMENTED BY  
THE FIRST SUPPLEMENT DATED 5 JULY 2013; AND  
THE SECOND SUPPLEMENT DATED 1 AUGUST 2013**

**Deutsche Bank Aktiengesellschaft**

(Frankfurt am Main, Germany)



## **Euro 80,000,000,000 Debt Issuance Programme**

This document constitutes a supplement (the "**Supplement**") to the base prospectus dated 28 June 2013, as supplemented, (the "**Prospectus**") for the purpose of article 13 of Chapter 1 of Part II of the Luxembourg Law dated 10 July 2005 on prospectuses for securities, as amended, (the "**Law**") and is prepared in connection with the Euro 80,000,000,000 Debt Issuance Programme (the "**Programme**") established by Deutsche Bank Aktiengesellschaft (the "**Issuer**"). Terms defined in the Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Prospectus.

The Issuer accepts responsibility for the information contained in this Supplement. To the best of the knowledge of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Supplement will be published in electronic form on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and on the website ([www.db.com/ir](http://www.db.com/ir)) of the Issuer.

In accordance with Article 13 paragraph 2 of the Law, investors who have already agreed to purchase or subscribe for the Securities before this Supplement is published have the right, exercisable within a time limit of minimum two working days, which is 3 September 2013, after the publication of this Supplement, to withdraw their acceptances.

The Issuer has requested the *Commission de Surveillance du Secteur Financier* (the "**CSSF**") to provide the competent authorities in Austria, Belgium, Denmark, France, Germany, Ireland, Italy, the Netherlands, Portugal, Spain, Sweden and the United Kingdom of Great Britain and Northern Ireland, with a certificate of approval (a "**Notification**") attesting that this Supplement has been drawn up in accordance with the Law. The Issuer may request the CSSF to provide competent authorities in additional Member States within the European Economic Area with a Notification.

The Prospectus shall be supplemented as follows:

## I. Summary

In the section "Summary" on page 11 of the Prospectus the following wording shall be added at the end of Element B.2:

**"[If the Securities are issued by Deutsche Bank AG, Hong Kong Branch, insert:**

Deutsche Bank AG, acting through its Hong Kong branch ("**Deutsche Bank AG, Hong Kong Branch**") is domiciled at Level 52, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.]

**[If the Securities are issued by Deutsche Bank AG, Singapore Branch, insert:**

Deutsche Bank AG, acting through its Singapore branch ("**Deutsche Bank AG, Singapore Branch**") is domiciled at One Raffles Quay, South Tower Level 17, Singapore 048583.]

**[If the Securities are issued by Deutsche Bank AG, [specify branch] Branch, insert:**

Deutsche Bank AG, acting through its [specify branch] branch ("**Deutsche Bank AG, [specify branch] Branch**") is domiciled at [insert address]."]

## II. GENERAL DESCRIPTION OF THE PROGRAMME

In the section "General Description of the Programme" on page 74 of the Prospectus the first sentence under the heading "Issuer" will be replaced by the following sentence:

"Securities may be issued by the Issuer through its head office in Frankfurt am Main and acting through its London branch, Milan branch, Sydney branch, Deutsche Bank AG, Sucursal em Portugal (its Portuguese branch), Deutsche Bank AG, Sucursal en España (its Spanish branch), Deutsche Bank AG, Hong Kong branch, Deutsche Bank AG, Singapore branch or any of its other branch offices outside Germany (other than its New York branch)."

## III. Form of Final Terms

1. In the section "Form of Final Terms" on page 973 of the Prospectus the following wording shall be added in the English language paragraph relating to the title of the relevant Series of Securities between "[Milan]" and "[Branch]":

"[Hong Kong] [Singapore] [specify other branch]".

2. In the section "Form of Final Terms" on page 973 of the Prospectus the following wording shall be added in the German language paragraph relating to the title of the relevant Series of Securities between "[Mailand]" and "[Deutsche Bank Aktiengesellschaft, Sucursal em Portugal (ihre Zweigniederlassung in Portugal)]":

"[Hongkong] [Singapur] [andere Zweigniederlassung angeben]".

3. In the section "Form of Final Terms" on page 974 of the Prospectus the following wording shall be added before the heading "Part I: Terms and Conditions":

**"[In the case that the Securities are issued through the Singapore Branch: If a tranche of Securities ("Relevant Securities") are "Qualifying Debt Securities" for purposes of Singapore tax law, where interest, discount income, prepayment fee, redemption premium or break cost paid by the Issuer is**

derived by a person who is not tax resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for "Qualifying Debt Securities" shall not apply if the non-tax-resident person acquires Relevant Securities using funds from that person's operations through the Singapore permanent establishment. Any person whose income from any tranche of the Relevant Securities is not exempt from Singapore tax must declare such income in a return of income under the Income Tax Act, Chapter 134 of Singapore.]"

4. In the section "Form of Final Terms" on page 1039 of the Prospectus the following wording shall be added in the English language paragraph relating to the issuing branch between "[Milan]" and "[specify other branch]":

"[Hong Kong] [Singapore]".

5. In the section "Form of Final Terms" on page 1039 of the Prospectus the following wording shall be added in the German language paragraph relating to the issuing branch between "[Mailand]" and "[andere Zweigniederlassung angeben]":

"[Hongkong] [Singapur]".

#### IV. Taxation

1. In the section "Taxation" on page 1108 of the Prospectus the sentence "In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2013 in favour of automatic information exchange under the Directive." Shall be replaced by the following sentence:

"In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2014 in favour of automatic information exchange under the Directive."

2. In the section "Taxation" on page 1123 of the Prospectus before the paragraph with the heading "Ireland" the following wording shall be added:

##### **"HONG KONG**

***The following is a general description of certain Hong Kong tax considerations relating to the Securities and is based on law and relevant interpretations thereof in effect as at the date of this Prospectus, all of which are subject to change, and does not constitute legal or taxation advice. It does not purport to be a complete analysis of all tax considerations relating to the Securities. Prospective holders of Securities who are in any doubt as to their tax position or who may be subject to tax in any jurisdiction are advised to consult their own professional advisers.***

##### ***Withholding Tax***

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Securities or in respect of any capital gains arising from the sale of the Securities.

##### ***Profits Tax***

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong, as it is currently applied in the Inland Revenue Department, interest on the Securities may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

- (i) interest on the Securities is derived from Hong Kong and is received by or accrues to a company, other than a financial institution, carrying on a trade, profession or business in Hong Kong; or
- (ii) interest on the Securities is derived from Hong Kong and is received by or accrues to a person, other than a company, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business; or
- (iii) interest on the Securities is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Securities will be subject to profits tax.

Sums derived from the sale, disposal or redemption of Securities in bearer form will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source.

Similarly, such sums in respect of Securities in registered form received by or accrued to either the aforementioned person and/or a financial institution will be subject to Hong Kong profits tax if such sums have a Hong Kong source. The source of such sums will generally be determined by having regard to the manner in which the Securities are acquired and disposed.

### ***Stamp Duty***

Stamp duty will not be payable on the issue of Securities in bearer form provided either:

- (i) such Securities are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) such Securities constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable, it is payable by the Issuer on issue of Securities in bearer form at a rate of 3 per cent. of the market value of the Securities at the time of issue.

No stamp duty will be payable on any subsequent transfer of Securities in bearer form.

No stamp duty is payable on the issue of Securities in registered form. Stamp duty may be payable on any transfer of Securities in registered form if the relevant transfer is required to be registered in Hong Kong.

Stamp duty will, however, not be payable on any transfers of Securities in registered form provided that either:

- (i) the Securities in registered form are denominated in a currency other than the currency of Hong Kong and are not repayable in any circumstances in the currency of Hong Kong; or
- (ii) the Securities in registered form constitute loan capital (as defined in the Stamp Duty Ordinance (Cap. 117) of Hong Kong).

If stamp duty is payable in respect of the transfer of Securities in registered form it will be payable at the rate of 0.2 per cent. (of which 0.1 per cent. is payable by the seller and 0.1 per cent. is payable by the purchaser) normally by reference to the value of the consideration. If, in the case of either the sale or purchase of such Securities in registered form, stamp duty is not paid, both the seller and the purchaser may be liable jointly and severally to pay any unpaid stamp duty and also any penalties for late payment. If stamp duty is not paid on or before the due date (two days after the sale or purchase if effected in Hong Kong or 30 days if effected elsewhere) a penalty of up to 10 times the duty payable may be imposed. In addition, stamp duty is payable at the fixed rate of HK\$5 on each instrument of transfer executed in relation to any transfer of the Securities in registered form if the relevant transfer is required to be registered in Hong Kong.

### ***Estate Duty***

No estate duty will be payable in respect of Securities in bearer form and Securities in registered form in Hong Kong.”

3. In the section “Taxation” on page 1138 of the Prospectus before the paragraph with the heading “Spain” the following wording shall be added:

#### **“Singapore**

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore, announced budget measures and administrative guidelines issued by the Inland Revenue Authority of Singapore (**IRAS**) or the Monetary Authority of Singapore (**MAS**) in force as at the date of this Base Prospectus and are subject to enactment of such budget measures and to any changes in such laws or administrative guidelines, or the interpretation of those laws or guidelines, occurring after such date, which changes could be made on a retroactive basis.

Neither these statements nor any other statements in the Base Prospectus should be regarded as advice on the tax position of any holder of the Securities or of any person acquiring, selling or otherwise dealing with the Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Securities.

The statements do not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Securities and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (including without limitation a person holding the Financial Sector Incentive tax status) may be subject to special rules or tax rates.

Furthermore, there may be additional taxation issues arising from Securities which are complex structured products which have not been addressed in this section.

Prospective holders of the Securities who are in doubt about their respective tax positions or any such tax implications of the purchase, ownership or transfer of any Securities or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional tax advisers.

#### **Interest and Other Payments**

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, Chapter 134 of Singapore (**ITA**), the following payments are deemed to be derived from Singapore:

- (a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is:
  - (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore); or
  - (ii) deductible against any income accruing in or derived from Singapore; or
- (b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Payments falling within paragraphs (a) and (b) above and made by Deutsche Bank Aktiengesellschaft, Singapore Branch, would fall within Section 12(6) of the ITA.

Unless exempted, such payments, where made to a person not known to the Issuer to be a tax resident in Singapore, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15.0 per cent final withholding tax described below) to non tax resident persons other than non-tax-resident individuals is 17.0 per cent with effect from year of assessment 2010. The applicable rate for non-tax-resident individuals is 20.0 per cent. However, if the payment is derived by a person who is a non tax resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15.0 per cent. The rate of 15.0 per cent may be reduced by applicable tax treaties.

Singapore-source interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost from debt securities and derived by individuals will be exempted from tax, except where such income is derived through a partnership in Singapore or is considered as gains or profits derived from the carrying on of a trade, business or profession.

### **Qualifying debt securities**

Where:

- (i) the dealers for more than half of a tranche of the Securities which are debt securities (i.e. bonds, notes, commercial papers and certificates of deposit) are Financial Sector Incentive (Bond Market) Companies (as defined in the ITA) or are financial institutions in Singapore where their staff based in Singapore have a leading and substantial role in the distribution of the debt securities; and
- (ii) such tranche of Securities are debt securities issued before 31 December 2013,

(hereinafter called **Relevant Securities**), the Relevant Securities will be "qualifying debt securities" for the purposes of the ITA to which the following treatments apply:

- (a) (in the case of Relevant Securities the payments which fall within Section 12(6) of the ITA) subject to certain prescribed conditions having been fulfilled (including the furnishing of a return on debt securities in respect of the Relevant Securities within a prescribed period to the MAS, and **PROVIDED THAT** the Issuer includes in all offering documents (including the Base Prospectus and any relevant Final Terms or Pricing Supplement) relating to the Relevant Securities a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost is derived by a person who is not tax resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption shall not apply if the non-tax-resident person acquires Relevant Securities using funds from that person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, **Qualifying Income**) paid by the Issuer and derived from the Relevant Securities by a holder who is not tax resident in Singapore and
  - (i) who does not have any permanent establishment in Singapore; or
  - (ii) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Securities are not obtained from the operation,

are exempt from Singapore tax;

- (b) subject to certain conditions having been fulfilled (including the furnishing of a return on debt securities in respect of the Relevant Securities within a prescribed period to the Comptroller and the MAS), Qualifying Income paid by the Issuer and derived from the Relevant Securities by any company or body of persons (as defined in the ITA), and not being the holder of the Financial Sector Incentive or other special tax status, is subject to tax at a concessionary rate of 10 per cent;
- (c) (in the case of Relevant Securities the payments which fall within Section 12(6) of the ITA) subject to:
  - (i) the Issuer including in all offering documents (including the Base Prospectus and any relevant Final Terms or Pricing Supplement) relating to Relevant Securities a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Relevant Securities is not exempt from tax shall include such income in a return of income made under the ITA; and
  - (ii) the furnishing of a return on debt securities in respect of the Relevant Securities within a prescribed period to the MAS;

Qualifying Income derived from the Relevant Securities is not subject to withholding of tax by the Issuer.

***It should be noted that the withholding tax benefits under the Qualifying Debt Securities regime will not apply unless the statements referred to in paragraphs (a) and (c)(i) are included in all offering documents (including the Base Prospectus and any relevant Final Terms or Pricing Supplement). However, the withholding tax exemption for payments under Section 12(6) made by issuers who are banks described below may continue to apply.***

However, notwithstanding the foregoing:

- (a) if during the primary launch of Relevant Securities, the Relevant Securities are issued to fewer than four persons and 50.0 per cent or more of the principal amount of Relevant Securities is beneficially held or funded, directly or indirectly, by related parties of the Issuer, Relevant Securities would not qualify as "qualifying debt securities"; and
- (b) even though Relevant Securities are "qualifying debt securities", if at any time during the tenure of Relevant Securities, 50.0 per cent or more of the principal amount of Relevant Securities is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income paid by the Issuer and derived from Relevant Securities held by:
  - (i) any related party of the Issuer; or
  - (ii) any other person where the funds used by such person to acquire the Relevant Securities are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary tax rate described above.

The term "**related party**", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

Notwithstanding that the Issuer may be permitted to make payment of Qualifying Income in respect of Relevant Securities without deduction or withholding for tax under Section 45 or Section 45A of the ITA, any person whose interest, discount income, prepayment fee, redemption premium or break cost derived

from Relevant Securities is not exempt from tax is required to include such income in a return of income made under the ITA.

The terms "break cost", "prepayment fee" and "redemption premium" are defined in the ITA as follows:

**"break cost"** means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;

**"prepayment fee"** means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and

**"redemption premium"** means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to "break cost", "prepayment fee" and "redemption premium" in this Singapore tax section have the same meaning as defined in the ITA.

The Qualifying Debt Securities Plus Scheme (**QDS Plus Scheme**) has also been introduced as an enhancement of the Qualifying Debt Securities Scheme. Under the QDS Plus Scheme, subject to certain conditions (the furnishing of a return on debt securities in respect of the Relevant Securities within a prescribed period to the Comptroller and the MAS), income tax exemption is granted on interest, discount income, prepayment fee, redemption premium or break cost derived by any investor from qualifying debt securities (excluding Singapore Government Securities) which:-

- (a) are issued during the period from 16 February 2008 to 31 December 2013;
- (b) have an original maturity date of not less than 10 years;
- (c) cannot be redeemed, converted, called or exchanged within 10 years from the date of their issue; and
- (d) cannot be re-opened with a resulting tenure of less than 10 years to the original maturity date.

In determining an investor's income that is to be exempted from tax under the QDS Plus Scheme, prescribed conditions apply in relation to how the investor's losses, expenses, capital allowances and donations which are attributable to exempt income are to be treated.

However, even if Relevant Securities are "qualifying debt securities" which qualify under the QDS Plus Scheme, if, at any time during the tenure of such Relevant Securities, 50.0 per cent or more of the issue of such Relevant Securities is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Specified Income derived by:

- (a) any related party of the Issuer; or
- (b) any other person where the funds used by such person to acquire such Relevant Securities are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption under the QDS Plus Scheme as described above.

### **Budget 2013 changes**

During the 2013 Budget Speech on 25 February 2013, it was announced that the QDS Scheme will be extended for five years to 31 December 2018. However, for debt securities issued during the period of 1 January 2014 to 31 December 2018, the arrangement requirement for the QDS would be amended. The QDS Plus Scheme will also be extended for five years to 31 December 2018 and will be refined to allow



debt securities with "standard" early redemption clauses to qualify for the QDS Plus Scheme, subject to conditions.

On 28 June 2013, the MAS issued Circular No. FSD Cir 02/2013 (the **Circular**) which sets out amendments to the QDS Scheme and the QDS Plus Scheme.

For the QDS Scheme, it was announced that with effect from 1 January 2014, the "substantially arranged" condition will be revised as follows:

- (a) Where the debt securities are issued from 1 January 2014 to 31 December 2018 (both dates inclusive) under a programme (including those arranged prior to 1 January 2014) -
  - (i) the programme must be wholly arranged by Financial Sector Incentive-Capital Market (**FSI-CM**), Financial Sector Incentive-Standard Tier (**FSI-ST**)(the arrangement work by FSI-ST or FSI-CM companies must commence on or after 1 January 2014) or FSI-BM companies (FSI-CM, FSI-ST or FSI-BM companies must wholly arrange the set- up of the programme);
  - (ii) the debt securities are issued by a new issuer who joins an existing programme which does not satisfy the requirement in (a)(i) above, the participation of the new issuer in the programme is arranged by an FSI-CM, FSI-ST or FSI-BM company, and that programme was previously wholly arranged by an affiliate of any FSI-CM, FSI-ST (where the affiliates of FSI-ST or FSI-CM companies are involved in the arrangement of the programme, the arrangement work by such affiliates of FSI-ST or FSI-CM companies must commence on or after 1 January 2014) or FSI-BM company; or
  - (iii) the debt securities are issued under a tranche of a programme which neither satisfy the requirement in (a)(i) nor (a)(ii), more than half of the debt securities issued under that tranche are distributed by FSI-CM, FSI-ST or FSI-BM companies.
- (b) Where the debt securities are issued from 1 January 2014 to 31 December 2018 (both dates inclusive) and where such debt securities are not issued under a programme –
  - (i) more than half of the lead managers (as stated in the offering documents) for that issue are FSI-CM, FSIST or FSI-BM companies;
  - (ii) more than half of the gross revenue from arranging the issue attributes to FSI-CM, FSI-ST or FSI-BM companies and more than half of the staff arranging the issue are Singapore based staff of FSI-CM, FSI-ST or FSI-BM companies, if the issuer of the debt securities is based in Singapore; or
  - (iii) more than half of the debt securities issued under the issue are distributed by FSI-CM, FSI-ST or FSI-BM companies, if the issuer of the debt securities is not based in Singapore.

For the QDS Plus Scheme, it was announced that with effect from 28 June 2013, debt securities with "standard" redemption clauses would be allowed to qualify for the QDS Plus Scheme at the point of issuance. Examples of "standard" redemption clauses referred to in the Circular are: (a), taxation event, (b) default event, (c) change of control or change of shareholding event, (d) change in listing status of an issuer or trading disruption event, (e) change of qualification event due to regulatory capital requirements, (f) change in accounting classification, (g) change in ratings, (h) repurchase upon a non-compliance event, (i) purchase provision and (j) modification and amendment provision. Please refer to the Circular for further details on the "standard" redemption clauses.

Subsequently, should the debt securities be redeemed prematurely due to the “standard” early redemption clauses (i.e. before the 10th year), the tax benefits conferred by the QDS Plus Scheme on qualifying income accrued prior to the redemption will not be clawed back. Instead, qualifying debt securities status under the QDS Plus Scheme will be revoked prospectively for outstanding debt securities (if any) and the issuer must inform the MAS and holders of the debt securities of such revocation. The outstanding debt securities may still enjoy tax benefits under the QDS Scheme if the other conditions under the scheme continues to be met.

Notwithstanding the foregoing, debt securities with embedded options with economic value (e.g. call, put, conversion or exchange options which can be triggered at specified prices or dates and are built into the bond’s pricing at the onset) which can be exercised within ten years from the date of issuance will continue to be excluded from the QDS Plus Scheme from the onset.

Please refer to the Circular for further details on the amendments to the QDS Scheme and QDS Plus Scheme.

There is no assurance that Securities to be issued from time to time under the Programme will enjoy the tax concessions under the amended QDS Scheme and QDS Plus Scheme. Holders of the Securities should consult their own professional tax advisers if they are in any doubt as to the treatment under the refined QDS Scheme and QDS Plus Scheme that would be applicable to them.

#### **Withholding tax exemption for Section 12(6) payments by banks**

Payments falling within Section 12(6) of the ITA and made by certain specified financial institutions (including a bank licensed under the Banking Act, Chapter 19 of Singapore) to persons who are non-tax-residents (excluding permanent establishments in Singapore) and which are:

- (a) liable to be made under a contract which takes effect between 1 April 2011 and 31 March 2012 (both dates inclusive); and
- (b) are liable to be made:
  - (i) under a contract which is extended or renewed, where the extension or renewal takes effect between 1 April 2011 and 31 March 2021 (both dates inclusive); and
  - (ii) on or after the date on which such extension or renewal takes effect; or
- (c) liable to be made under a debt security issued between 1 April 2011 and 31 March 2021 (both dates inclusive),

are exempt from income tax, provided that the payments are:

- (a) made for the purpose of the trade or business of the specified financial institutions; and
- (b) do not arise from transactions to which the general anti-avoidance provision in Section 33 of the ITA applies.

With effect from 17 February 2012, the specified financial institutions are no longer required to withhold tax on payments falling within Section 12(6) of the ITA which they are liable to make to permanent establishments in Singapore of a non-resident person:

- (a) between 17 February 2012 and 31 March 2021 on contracts that take effect before 17 February 2012; and
- (b) on or after 17 February 2012 on contracts that take effect between 17 February 2012 to 31 March 2021.

Notwithstanding the preceding paragraph, permanent establishments in Singapore of a non-resident person are required to declare such payments in their annual income tax returns and will be assessed to tax on such payments (unless specifically exempt from tax).

### **Capital Gains**

Singapore imposes a tax on income but does not impose tax on gains that are considered capital in nature. There are no specific statutes or regulations which deal with the characterisation of whether a gain is income or capital and the question of whether a gain from the disposal of Securities is income or capital is a question of fact dependent on the holder's specific circumstances.

Any gains considered to be in the nature of capital made from the sale of the Securities will not be taxable in Singapore. However, any gains from the sale of the Securities which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Securities who are adopting Singapore Financial Reporting Standard 39 (FRS 39) for Singapore income tax purposes may be required to recognise gains or losses on the Securities, irrespective of disposal, in accordance with Section 34A of the ITA. Please see the section below on "Adoption of FRS 39 treatment for Singapore income tax purposes".

Holders of the Securities should consult their own professional tax advisers if they are in any doubt as to the treatment that would be applicable to them.

### **Adoption of FRS 39 treatment for Singapore income tax purposes**

On 30 Dec 2005, the Inland Revenue Authority of Singapore issued a circular entitled "Income Tax Implications arising from the adoption of FRS 39 – Financial Instruments: Recognition and Measurement" (FRS 39 Circular).

The FRS 39 Circular generally applies, subject to certain "opt-out" provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Holders of the Securities who may be subject to the tax treatment under the FRS 39 Circular should consult their own professional accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding, conversion or disposal of the Securities.

### **Special tax rules for Securities which constitute negotiable certificates of deposit**

Notwithstanding the paragraphs above, under Section 10(12) of the ITA, where a person derives interest from a negotiable certificate of deposit or derives gains or profits from the sale thereof, his income shall be treated as follows:

- (a) in the case of a financial institution, the interest and the gains or profits shall be deemed to be income from a trade or business under Section 10(1)(a) of the ITA;
- (b) in any other case, the interest and the gains or profits shall be deemed to be income from interest under Section 10(1)(d) of the ITA subject to the following provisions:
  - (i) if the interest is received by a subsequent holder of a certificate of deposit the income derived from such interest shall exclude the amount by which the purchase price exceeds the issued price of the certificate, except where that amount has been excluded in the computation of any previous interest derived by him in respect of that certificate; and
  - (ii) where a subsequent holder sells a certificate after receiving interest therefrom the gains or profits shall be deemed to be the amount by which the sale price exceeds the issued price or the purchase price, whichever is the lower; and
- (c) for the purposes of paragraph (b) above, where a subsequent holder purchases a certificate at a price which is less than the issued price and holds the certificate until its maturity, the amount by which the issued price exceeds the purchase price shall be deemed to be interest derived by him.

Holders and prospective holders of Securities should consult their own professional tax advisers regarding the application of Section 10(12) of the ITA to the Singapore income tax consequences of their acquisition, holding or disposal of any negotiable certificates of deposit.

### **Goods and Services Tax**

Under the Goods and Services Tax Act, Chapter 117A of Singapore (**GST Act**), the following are examples of exempt supplies not subject to Goods and Services Tax (**GST**) under the Fourth Schedule to the GST Act:-

- (a) the issue, allotment, transfer of ownership, drawing, acceptance or endorsements of a debt security (i.e. any interest in or right to be paid money that is, or is to be, owing by any person or any option to acquire any such interest or right but excludes a contract of insurance and an estate or interest in land, other than an estate or interest as mortgagee or chargeholder); or
- (b) the renewal or variation of an equity security or debt security.

Holders of the Securities should consult their own professional tax advisers regarding the Singapore GST consequences of their acquisition, holding, conversion or disposal of the Securities.

### **Stamp Duty**

Stamp duty is generally not imposed on the issue or redemption for cash of Securities. Stamp duty is also normally not applicable to short or medium-term debt securities. However, where an instrument of transfer of stocks or shares (including "**funded debt**", a term which includes certain types of permanent or quasi-permanent debt instruments) is executed in Singapore, or is executed outside Singapore but is brought into Singapore, the transfer instrument may be subject to stamp duty of up to 0.2% of the amount or value of the consideration, or the value of the stocks or shares transferred, whichever is higher. Transfers of

securities on a scripless basis through the Central Depository (Pte) Limited are not subject to stamp duty. Transfers of stocks or shares by way of sale or gift of any stock issued by a company, corporation or body of persons incorporated, formed or established outside Singapore (other than stock registered in register kept in Singapore) are also exempt from stamp duty.”