

Israel: Withholding tax procedure for Israeli securities, effective 23 May 2011

We would like to provide you with details of the withholding tax procedure applicable, from 23 May 2011 onwards, to income from Israeli securities held in Clearstream Banking¹.

Holding restriction

Due to Israeli restrictions, customers are not allowed to hold Israeli financial instruments in Clearstream Banking for underlying beneficial owners who are residents of Israel for tax purposes.

Trading prerequisite

In order to be allowed to hold Israeli securities, customers must, before the execution of the first trade in Israeli securities to be settled in Clearstream Banking, provide an Israeli Securities - One-time Certificate² certifying that none of the final beneficial owners is an Israeli resident for tax purposes.

Applicable withholding tax rates

Debt securities

Interest on most Israeli debt securities held in Clearstream Banking is not subject to withholding tax in Clearstream Banking and is systematically paid gross with no action required from the customer or the beneficial owner to obtain exemption.

- Debt securities **not subject to withholding tax** on interest payments:
Clearstream Banking applies 0% withholding tax by default on government bonds issued on/after 8 May 2000, on corporate bonds and on Treasury Bills. No certification or tax instruction is required to obtain this exemption.
- Debt securities **subject to withholding tax** on interest payments:
Clearstream Banking applies 25% withholding tax by default on interest payments for non-certified undisclosed holdings of government bonds issued before 8 May 2000.

Equities

Dividend payments on Israeli equities are subject to withholding tax at a standard rate of 20%.

Relief at source

Provided the required documentation to obtain relief or exemption at source has been submitted to Clearstream Banking before the stated deadlines, relief at source is available for both dividends and taxable interest if the beneficial owner qualifies for one of the following:

- A reduced rate of withholding tax in accordance with a Double Taxation Treaty (DTT) between its country of residence and Israel; or
- Full exemption, if the beneficial owner is recognised as tax-exempt by the Israeli Tax Authorities.

Standard refund

No standard refund of withholding tax on Israeli securities is available through Clearstream Banking.

1. Clearstream Banking refers collectively to Clearstream Banking AG, registered office at 61, Mergenthalerallee, 65760 Eschborn, Germany and registered in the Register B of the Amtsgericht Frankfurt am Main, Germany under number HRB 7500 (CBF) and Clearstream Banking, société anonyme, registered office at 42, avenue John F. Kennedy and registered with the Luxembourg Register of Commerce and Companies under number B-9248 (CBL).
2. A version of this form is attached at the end of this Announcement.

Israeli Securities - One-Time Certificate

Clearstream Banking
Attn: OTL - Tax Services
42, avenue J.F. Kennedy
L-1855 Luxembourg
Luxembourg

Clearstream Banking account(s): _____ (the "Account")

We, the undersigned customer of Clearstream Banking¹ may hold from time to time in our Account Israeli Government bonds, Treasury Bills, Corporate bond or Equities (the "Securities").

For the purposes of ensuring that we are eligible to hold and obtain relief at source on income payments on the Securities in the Account, we hereby certify that:

1. Beneficial owner(s) of the Securities, including ourselves when applicable, are (as defined by the relevant Israeli laws and regulations) not resident for tax purposes in Israel and do not operate/derive income from the Securities through an Israeli permanent establishment; and that
2. *(please complete **only** PART A - Segregated account per beneficial owner; or **only** PART B - Omnibus Account):*

A. Segregated account per beneficial owner *(If you complete this Part A, please leave Part B blank).*

We hold the Securities in the Account exclusively for the following sole beneficial owner:

Name of beneficial owner: _____

Country of residence for tax purpose: _____

ID Number *(for example, passport number or company registration number)*: _____

Tax file number *(provided by the local tax authorities of the beneficial owner)*: _____

We hereby further certify that the sole beneficial owner *(tick **one** box only)*:

A.1 ☐ is eligible for relief according to the Double Taxation Treaty (DTT) between _____
(the country of residence of the beneficial owner) and Israel and hereby acknowledge that the reduced DTT rate will be applied for taxable Israeli income payments made on our Account;

OR

A.2 ☐ is recognised as tax-exempt by the Israeli Tax Authorities and hereby acknowledge that full exemption will be applied for taxable Israeli income payments made on our Account and we acknowledge that a valid Certificate of Exemption, issued by the Israeli Tax Authorities, must be provided to Clearstream Banking once before the first payment date;

OR

A.3 ☐ is not eligible for relief according to the DTT and we hereby acknowledge that the maximum withholding tax rate will be applied for taxable Israeli income payments made on our Account.

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Israeli Securities - One-Time Certificate (cont)

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B. Omnibus account *(If you complete this Part B, please leave Part A blank).*

- ☐ We hold the Securities on behalf of several beneficial owner(s).

We hereby acknowledge that, for the purposes of obtaining the appropriate reduced rates, we must submit to Clearstream Banking, in addition to this Israeli Securities - One-Time Certificate and no later than the deadlines prescribed by Clearstream Banking, via SWIFT or other agreed authenticated means of communication, a per-payment Breakdown of Holdings confirming the quantity of the securities held, split by tax residence of the beneficial owners for which withholding tax relief is sought, with the mention of the tax rates to be applied.

We acknowledge that, for beneficial owners recognised as tax-exempt by the Israeli Tax Authorities:

- A valid Certificate of Exemption, issued by the Israeli Tax Authorities, must be provided to Clearstream Banking once before the first payment date; and
- The per-payment Breakdown of Holdings must additionally include the full name of the tax-exempt beneficial owner(s).

We further acknowledge and accept that, if this per-payment Breakdown of Holdings, as well as any other documentation specifically required by the Israeli Tax Authorities and specified to us by Clearstream Banking, is not received by Clearstream Banking within the prescribed deadlines, the maximum withholding tax rate will be applied for taxable Israeli income payments made on our Account.

Generally:

We confirm that, for the part of the Securities of which we are not the beneficial owner, we have received a certificate on the same terms as this certificate from the holder(s)/beneficial owner(s) on whose behalf we are acting.

Where a relief at source is requested on behalf of a beneficial owner, where the country of residency is a country with which Israel has a Double Taxation Treaty (DTT), we certify that we have received certification from the beneficial owner or our customer that the beneficial owner is a resident for tax treaty purposes and the investment is not attributable to an Israeli permanent establishment.

With respect to each dividend or interest payment or any other payment received in connection with the Securities held in the Account (the "Payment") and for which withholding tax relief, based on DTT agreements, is sought, we shall, upon request of Clearstream Banking, whether based directly or not on requirements of the Israeli Tax Authorities, provide the following documentation to Clearstream Banking, which may be requested up to four years after the relevant payment:

- A List of Beneficial Owners who are the recipients of such Payment, including the following details:
 - Name(s) of beneficial owner(s);
 - Country of residence for tax purpose of the beneficial owner;
 - Identification number (for example, passport number or company registration number);
 - An Identification number (provided by the tax authorities of the country of the beneficial owners tax residence or number of tax file) given by the domicile tax authorities;
 - Date of payment;
 - Interest or dividends;
 - ISIN of the securities for which the payment was received;
 - Quantity of securities;
 - Gross Payment in local or foreign currency;
 - Tax deducted, in local or foreign currency;
- A Proof of tax residence for beneficial owners who are eligible to obtain a reduced rate of withholding tax at source;
- Any other tax documentation required from time to time.

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Israeli Securities - One-Time Certificate (cont)

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Insofar as CBL is concerned, this certificate is governed and construed in accordance with the laws of Luxembourg and the courts of Luxembourg shall have exclusive jurisdiction for all legal proceedings relating thereto and, insofar as CBF is, concerned this certificate is governed and construed in accordance with the laws of the Federal Republic of Germany and the courts of Frankfurt am Main, Germany, shall have exclusive jurisdiction for all legal proceedings relating thereto.

We hereby certify, under penalty of perjury, that the above information is true, correct and complete and that I am (we are) authorised representative(s) of the Clearstream Banking customer named below. We will immediately inform Clearstream Banking of any change in the information provided in this certificate and any certificate related to this certificate.

We understand and agree that signing this declaration does not guarantee relief at source.

For and on behalf of:

Name of Clearstream Banking Customer: _____

Address: _____

By (authorised signature/s):

Authorised Signature

Authorised Signature

Name

Name

Title

Title

Place

Date

Further information

Please consult the Market Taxation Guide - Israel for full information on the tax procedure, including beneficial owner eligibility, documentation requirements and the deadlines applicable to Israeli debt securities and equities held in Clearstream Banking.

For further information, please contact the Clearstream Banking Tax Help Desk on:

	Luxembourg	Frankfurt
Email:	tax@clearstream.com	tax@clearstream.com
Telephone:	+352-243-32835	+49-(0) 69-2 11-1 3821
Fax:	+352-243-632835	+49-(0) 69-2 11-61 3821

or Clearstream Banking Customer Service or your Relationship Officer.

For more general information regarding our products and services, please visit www.clearstream.com.

Attachment

Israeli Securities - One-time Certificate

As a registered customer, [subscribe](#) to our free email alerts service to receive immediate, daily and/or weekly notification of the latest customer publications on our web site. Unsubscribe at any time; we respect your email privacy.

Israeli Securities - One-Time Certificate (cont)

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 - Date of payment;
 - Interest or dividends;
 - ISIN of the securities for which the payment was received;
 - Quantity of securities;
 - Gross Payment in local or foreign currency;
 - Tax deducted, in local or foreign currency;
- A Proof of tax residence for beneficial owners who are eligible to obtain a reduced rate of withholding tax at source;
- Any other tax documentation required from time to time.

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Israel: Exemption from withholding tax for non-resident investors cancelled

New tax legislation has been approved, by the Knesset Finance Committee, cancelling the exemption from withholding tax currently enjoyed by non-resident investors on interest income from Treasury Bills (MAKAMs) and short-term government bonds.

Impact on customers

With effect from 7 July 2011, non-residents will be subject to withholding tax on interest income from MAKAMs and short-term government bonds (with maturity date less than or equal to 13 months from issue date) as follows:

- 15% on non-CPI¹-linked MAKAMs and short-term government bonds; and
- 20% on CPI-linked MAKAMs and short-term government bonds.

We are monitoring developments closely and will provide you with further updates concerning the tax procedure as soon as they become available.

Further information

For further information, please contact the Clearstream Banking Tax Help Desk on:

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or Clearstream Banking Customer Service or your Relationship Officer.

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1. CPI=Consumer Price Index.

Israel: Exemption from withholding tax for non-residents cancelled - update

Further to our Announcement A11091, dated 24 June 2011, concerning the new tax legislation approved by the Knesset Finance Committee, cancelling, with effect from 7 July 2011, the exemption from withholding tax currently enjoyed by non-resident investors on interest income from Treasury Bills (MAKAMs) and short-term government bonds, we would like to provide a further update with regard to interest income and capital gains.

Interest income

It has now been further clarified that non-resident investors will be subject to withholding tax rates on interest income from MAKAMs and short-term government bonds (with maturity date less than or equal to 13 months from issue date) as follows:

Security type	Individuals	Non-individuals
Non-CPI ^a -linked MAKAMs and short-term government bonds	15%	24%
CPI-linked MAKAMs and short-term government bonds	20%	24%

a. CPI=Consumer Price Index.

Capital gains

It is expected that the Knesset Finance Committee will, effective 7 July 2011, cancel the exemption from capital gains tax currently enjoyed by non-resident investors on capital gains from Treasury Bills (MAKAMs) and short-term government bonds.

If the exemption is cancelled, capital gains tax is expected to apply to non-resident investors as follows:

- Individuals: 20%;
- Non-individuals: 24%.

Not all details are yet available and the impact on customers has yet to be clearly assessed.

Impact on customers

With effect from 7 July 2011, non-residents will be subject to withholding tax on interest income from MAKAMs and short-term government bonds (with maturity date less than or equal to 13 months from issue date).

We will continue to monitor developments closely and will provide you with further information as it becomes available.

Further information

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