

## **Press release**

### **Tax arrangements on dividends paid to Hong Kong residents by Mainland companies clarified**

Monday, July 4, 2011

The Financial Services and the Treasury Bureau today (July 4) said that the Hong Kong Special Administrative Region Government has received a reply from the State Administration of Taxation that clarified the arrangements concerning the tax payable to the Mainland for dividends paid by Mainland companies to individual investors in Hong Kong.

A spokesman for the Financial Services and the Treasury Bureau said, "The reply of the State Administration of Taxation notes that when non-foreign investment companies of the Mainland which are listed in Hong Kong distribute dividends to their shareholders, the individual shareholders in general will be subject to a withholding tax rate of 10% with reference to the arrangement for the avoidance of double taxation signed between Mainland China and Hong Kong. They do not have to make any applications for entitlement to the above-mentioned tax rate.

"For shareholders who are residents of other countries and whose home countries have reached an agreement with China on an applicable withholding tax rate higher or lower than 10%, they have to follow the bilateral tax agreement in paying tax in connection with dividends paid by Mainland companies listed in Hong Kong."

The spokesman said that the Stock Exchange of Hong Kong Limited will issue a letter to listed companies to inform them of the above-mentioned tax arrangements concerning dividends paid by Mainland companies.

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