

## EXPLANATORY NOTE

*(This note is not part of the Order)*

The Protocol scheduled to this Order makes certain alterations to the Agreement set out in the Schedule to the Double Taxation Relief (Taxes on Income)(China) Order 1984.

The Protocol replaces the list of Chinese taxes covered by the Agreement (Article 1) and the meaning of “competent authority” in relation to China (Article 2) and expands the meaning of “resident of a Contracting State” so as to include a person liable to tax in a Contracting State by reason of place of incorporation (Article 3)..

Payments received for the use of, or the right to use, information concerning industrial, commercial or scientific experience are brought within the definition of royalties in Article 12 of the Agreement (Article 4).

The elimination of double taxation provisions in Article 23 of the Agreement have been amended to reflect the revision of Chinese domestic legislation in relation to the taxation of foreign investment and foreign enterprises (Article 5).

The Protocol will enter into force on the date of the later of the notifications by each country of the completion of its legislative procedures. It will then have effect in both Contracting States in respect of profits, income and capital gains arising on or after 1st January 1995. The date of entry into force will, in due course, be published in the *London, Edinburgh and Belfast Gazettes*.