

exemption from enterprise income tax in special economic zones and coastal cities;

so far as they were in force on, and have not been modified since, the date of signature of this Agreement, or have been modified only in minor respects so as not to affect their general character; or

- (d) any other provision which may subsequently be made granting an exemption or reduction of tax which is agreed by the competent authorities of the Contracting States to be of a substantially similar character, if it has not been modified thereafter or has been modified only in minor respects so as not to affect its general character.
- (e) For the application of this paragraph, the amount of Chinese tax shall be deemed to be:
  - (I) in the case of dividends
    - (i) 10 per cent if the recipient of the dividends is the beneficial owner of at least 10 per cent of the voting stock of the company paying the dividends;
    - (ii) 15 per cent in all other cases;
  - (II) in the case of interest 10 per cent; and
  - (III) in the case of royalties 15 per cent.

3. In the case of the People's Republic of China, double taxation shall be avoided as follows:

- (a) Where a resident of the People's Republic of China derives income from Canada, the amount of tax payable in Canada in respect of that income in accordance with the provisions of this Agreement shall be allowed as a credit against the Chinese tax imposed on that resident. The amount of credit, however, shall not exceed the amount of the Chinese tax computed as appropriate to that income in accordance with the taxation laws and regulations of the People's Republic of China.
- (b) Where the income derived from Canada is a dividend paid by a company which is a resident of Canada to a company which is a resident of the People's Republic of China and which owns not less than 10 per cent of the shares of the company paying the dividend, the credit shall take into account the tax payable in Canada by the company paying the dividend in respect of its income.

4. For the purposes of this Article, profits, income or gains of a resident of a Contracting State which are taxed in the other Contracting State in accordance with this Agreement shall be deemed to arise from sources in that other Contracting State.