

QFII required to pay taxes on dividends in China

Qualified foreign institutional investors (QFII) have been required to pay taxes on dividends, bonuses and interest income obtained in China, according to the State Administration of Taxation (SAT).

They are required to pay 10 percent of earnings gained in China in accordance with a regulation on withholding tax of the country's corporate income tax law, the administration said in a recent circular.

The payers of dividends, bonuses and interests shall withhold the income tax at the time of payment, said the circular.

The investors can apply for preferential treatment if necessary.

The administration also ordered local tax bureaus to follow the information about QFII's investment and set up files of taxation management to ensure they are taxed.

As of the end of 2008, China had allowed 76 foreign investors to invest in the country's stock market, bonds and mutual funds as qualified foreign institutional investors.

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