

EXCHANGE OF NOTES

Beijing, 26th of March, 1986

Excellency.

I have the honour to refer to the Agreement between the Government of the Kingdom of Denmark and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income which was signed today (hereinafter referred to as "the Agreement") and to confirm, on behalf of the Government of the Kingdom of Denmark, the following understanding reached between the two Governments:

Notwithstanding the provision in paragraph 2 of Article 10 of the Agreement, in cases where the rate of company (enterprise) tax in a Contracting State levied on distributed profits is lower than the rate on undistributed profits and the difference between the two rates is 20 per cent or more, or in some other cases which are similar to this, both of the Contracting States shall determine the tax rate of dividends by mutual agreement.

I have further the honour to request Your Excellency to be good enough to confirm the foregoing understanding on behalf of Your Excellency's Government.

I avail myself of this opportunity to renew to Your Excellency the assurances of my highest consideration.

His Excellency

Ambassador of the Kingdom of Denmark

to the People's Republic of China

Beijing, 26th of March, 1986

Excellency.

I have the honour to acknowledge receipt of Your Excellency's Note of today's date, which reads as follows:

“I have the honour to refer to the Agreement between Government of the Kingdom of Denmark and the Government of the People's Republic of China for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income which was signed today (hereinafter referred to as “the Agreement”) and to confirm, on behalf of the Government of the Kingdom of Denmark, the following understanding reached between the two Governments:

Notwithstanding the provision in paragraph 2 of Article 10 of the Agreement, in case where the rate of company (enterprise) tax in a Contracting State levied on distributed profits is lower than the rate on undistributed profits and the difference between the two rates is 20 per cent or more, or in some other cases which are similar to this, both of the Contracting States shall determine the tax rate of dividends by mutual agreement.”

I have further the honour to confirm the understanding contained in Your Excellency's Note, on behalf of the Government of the People's Republic of China.

I avail myself of this opportunity to renew to Your Excellency the assurance of my highest consideration.

His Excellency

**Vice Minister of the Ministry of Finance,
the People's Republic of China**