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## EXPLANATORY NOTE

The Supplementary Agreement scheduled to this Order makes certain alterations to the Agreement signed in November 1955 between the United Kingdom and the Federation of Rhodesia and Nyasaland, subsequently continued in force with Malawi, as amended by the Agreement signed in April 1968. The main alteration which relates to the tax treatment of dividends paid by United Kingdom companies to overseas shareholders, follows from the introduction of the new United Kingdom corporation tax system, which came into operation on 6th April 1973.

Under the original Agreement, as amended, dividends flowing from the United Kingdom to Malawi were, subject to certain conditions, exempt from any United Kingdom tax which was additional to that charged on the profits out of which the dividends were paid. The Supplementary Agreement provides that where a United Kingdom company pays a dividend to a resident of Malawi, other than a company which controls 10 per cent or more of the voting power in the paying company, the recipient is, subject to certain conditions, to receive the tax credit to which an individual resident in the United Kingdom and in receipt of such a dividend would be entitled, less income tax at a rate not exceeding 15 per cent on the aggregate of the dividend and the tax credit. Dividends flowing from Malawi to the United Kingdom continue, as before, to be exempt, subject to certain conditions, from any tax in Malawi which is additional to the tax chargeable on the profits or income out of which such dividends are paid.

The Supplementary Agreement also amends the provisions under which the remuneration of visiting teachers is, subject to certain conditions, exempt from tax in the country visited. Such exemption is made dependent on the income in question being taxed by the teacher's country of ordinary residence.

The Supplementary Agreement is to take effect in relation to dividends paid on or after 6th April 1973 and in relation to teachers' remuneration with effect from 6th April 1976.