

Haier Smart Home Co., Ltd.



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Haier Smart Home Co., Ltd.

Qingdao, Province of Shandong, People's Republic of China

Announcement on D-share Dividend

The company's annual general meeting of 28 June 2022 resolved to distribute, for each registered ordinary D-share, a

dividend per share in the amount of EUR 0.06534990 gross

dividend per share in the amount of EUR 0.05881491 less 10% withholding tax in China

payable as of 23 August 2022

for the 2021 financial year. Shareholders entitled to dividends are those for whom shares in the company will be recorded on 22 August 2022 (**record date**).

The exchange rate of EUR 1 = RMB 7.0598 is based on the average exchange rate of the last five business days prior to the general meeting.

The company's shares will be listed "**ex dividend**" in the sub-segment of the regulated market with additional post-admission obligations on the Frankfurt Stock Exchange (Prime Standard) on 23 August 2022.

The dividend will generally be paid out via Clearstream Banking AG subject to a deduction of Chinese withholding tax of 10%. The Chinese withholding tax may generally be creditable against German income tax (*Körperschaftsteuer/Einkommensteuer*) on Chinese income or may be tax-deductible when determining the income.

A German entity paying out the investment income (i.e. as a general rule the respective custodian) will generally pay out the dividends of a company domiciled in the People's Republic of China to shareholders who are subject to unlimited tax liability in Germany after deduction of German investment income tax (*Kapitalertragsteuer*) (final withholding tax (*Abgeltungsteuer*)). The tax deduction generally amounts to 25% plus solidarity surcharge (*Solidaritätszuschlag*) at a rate of 5.5% (the effective tax rate thus being 26.375%) and church tax (*Kirchensteuer*), if applicable (depending on the individual denomination and the state of residence). The assessment base for investment income tax is the gross dividend.

As a general rule, the obligation to deduct investment income tax always applies to the domestic disbursing agent, unless the shareholders have submitted a non-assessment certificate (*Nichtveranlagungs-Bescheinigung*) or an exemption certificate (*Freistellungsauftrag*). Whether the dividend is actually taxable for the shareholder is irrelevant for the deduction of investment income tax. An exemption from tax deduction is therefore possible if, for example,

the creditor of the investment income is an individual subject to unlimited tax liability who proves to the domestic disbursing agent by presenting the original of a valid non-assessment certificate that he is not expected to be assessed for income tax;

the creditor of the investment income is an individual subject to unlimited tax liability who has issued a valid exemption certificate. An exemption certificate is the creditor's private written

instruction to the withholding agent not to deduct any investment income tax up to a tax-free maximum amount of EUR 801 (or EUR 1,602 in the case of spouses/life partners assessed jointly);
the creditor of the investment income is a tax-exempt corporate body (<i>Körperschaft</i>) or a German legal entity under public law (<i>juristische Person des öffentlichen Rechts</i>);
the investment income is part of the operating income earned by the creditor of the investment income, and the investment income tax payable by this creditor would, in the long term, be higher than the total income tax or corporate income tax (<i>Körperschaftsteuer</i>) to be assessed due to the nature of his transactions. This is to be proved by a certificate issued by the tax office responsible for the creditor;
the creditor of the investment income is a corporate body, association of persons (<i>Personenvereinigung</i>) or estate (<i>Vermögensmasse</i>) subject to unlimited tax liability in Germany which serves tax-privileged purposes. This may apply to clubs (<i>Vereine</i>), for example. Proof of the preferred taxation must be furnished by means of a certificate issued by the tax office responsible for the creditor.

For the respective individual requirements, reference is made at this point to the regulations of German tax law (esp. section 43 para. 2, para. 3 in connection with section 44a of the German Income Tax Act (*Einkommensteuergesetz - EStG*). If it is not possible to refrain from the German investment income tax deduction, the withholding agent, i.e. the domestic disbursing agent, is to check whether the Chinese withholding tax levied in the amount of the withholding tax under the German-Chinese double taxation treaty can be credited directly against the investment income tax in the deduction procedure. This is only possible to the extent that the dividends are deemed to be income from capital assets, which is particularly the case with individuals holding shares as non-business assets (section 43a para. 3 sentence 1 of the German Income Tax Act; German Federal Ministry of Finance (*BMF*), 18 January 2016, Federal Tax Gazette (*BStBl.*) I 2016, p. 85, para. 202 in connection with the German Federal Ministry of Finance (*BMF*), 31 March 2022, Federal Tax Gazette (*BStBl.*) I 2022, p. 328, para. 3). According to the overview issued by the German Federal Tax Office (*Bundeszentralamt für Steuern - BZSt*) regarding the rates of creditable foreign withholding tax, the creditable Chinese withholding tax amounts to 10% if no exemption exists.¹ If the Chinese withholding tax is credited against the investment income tax by the disbursing agent, the investment income tax is only levied as a result at a rate reflecting the difference to a tax deduction of 25%. If the crediting of the withholding tax is not possible for the disbursing agent, a crediting of the foreign withholding tax cannot take place in the deduction procedure at the level of the disbursing agent. The shareholder may then achieve relief from taxation in the assessment procedure.

¹ See https://www.bzst.de/SharedDocs/Downloads/DE/EU_OECD/anrechenbare_ausl_quellensteuer_2022.pdf

The taxation of dividends for persons subject to unlimited tax liability in Germany can be summarised as follows:

1. Individuals holding the D-shares as non-business assets for tax purposes:

As a general rule, the gross dividend is subject to the special final withholding tax rate (25% plus solidarity surcharge at a rate of 5.5% and church tax, if applicable). The tax liability is deemed to have been settled by the proper deduction of investment income tax.
In the context of the tax assessment, the taxable person may opt to pay tax on the gross dividend at the statutory (<i>tariflich</i>) tax rate as part of a favourable tax treatment (<i>Günstigerprüfung</i>). In this case, the German investment income tax reduced in accordance with section 43a para. 3 sentence 1 of the German Income Tax Act is to be credited without limitation against income tax within the scope of section 36 of the German Income Tax Act. The Chinese withholding tax taken into account in the deduction of investment income tax according to section 43a para. 3 sentence 1 of the German Income Tax Act is to be credited against the additional statutory income tax applicable to the additional investment income (section 32d para. 6 sentence 2 of the German Income Tax Act).
Actual income-related expenses are not deductible. Instead, the shareholder is granted a saver's lump sum of EUR 801 or, in the case of spouses/life partners assessed jointly, EUR 1,602.

2. Individuals holding the D-shares as business assets for tax purposes or through a commercial partnership:

Under the partial income taxation method (<i>Teileinkünfteverfahren</i>), 60% of the gross dividends are subject to tax. 60% of any related operating expenses may be claimed as a tax reduction.
The German investment income tax levied is creditable against income tax without limitation; even a refund is possible, unless income tax applies (section 36 para. 4 of the German Income Tax Act).
Within the limits of section 34c of the German Income Tax Act, the Chinese withholding tax to which no further claim for reduction exists is to be credited against the income tax payable on foreign income from China (per-country limitation, section 68a of the German Income Tax Implementation Regulation (<i>Einkommensteuer-Durchführungsverordnung - EStDV</i>). As a result, operating expenses incurred in an economic connection with the dividend reduce the amount to be credited. If no income tax applies (e.g.

due to losses incurred in Germany), the Chinese withholding tax is not creditable; a refund is not possible. Upon application, a tax deduction may be taken into account in the tax return instead of a credit when determining the income.

For trade tax purposes, dividends are generally to be recorded at 100% if the shareholding was less than 15% (of the nominal capital) at the beginning of the assessment period (1 January).

3. Corporate taxable entities (including corporations and companies liable to pay corporate income tax):

In the case of corporate taxable entities, the gross dividend is generally fully subject to corporate income tax, unless the shareholding amounted to 10% or more at the beginning of the calendar year. If the shareholding amounts to 10% or more, 95% of the gross dividends are effectively exempt from corporate income tax.

Operating expenses in connection with the dividends can generally be taken into account.

German investment income tax withheld and remitted by the disbursing agent may always be credited against corporate income tax; even a refund is possible, unless corporate income tax is levied (section 36 para. 4 of the German Income Tax Act).

Within the limits of section 26 of the German Corporate Tax Act (*Körperschaftsteuergesetz - KStG*) in connection with section 34c of the German Income Tax Act, the Chinese withholding tax to which no further claim for reduction exists is to be credited against the corporate income tax payable on foreign income from China (per-country limitation, section 68a of the German Income Tax Implementation Regulation). As a result, operating expenses incurred in an economic connection with the dividend reduce the amount to be credited. If no corporate income tax applies (e.g. due to losses incurred in Germany), the Chinese withholding tax is not creditable; a refund is not possible. Upon application, a tax deduction may be taken into account in the tax return instead of a credit when determining the income.

For trade tax purposes, dividends are to be recorded at 100% if the shareholding was less than 15% (of the nominal capital) at the beginning of the assessment period (1 January).

In the case of foreign shareholders who are not resident in Germany, the Chinese withholding tax of 10% may be credited against a tax payable on the dividend in the respective country in accordance with the national tax provisions of that respective country or the provisions of a corresponding double taxation treaty.

We would like to point out that the above information merely serves as an overview and can therefore neither be a complete presentation of all national or international tax issues, nor can it take into account the peculiarities of specific individual cases.

Investors are advised to seek advice from a member of the tax advisory profession on the specific tax consequences of their investment.

Frankfurt am Main, in August 2022

On behalf of **Haier Smart Home Co., Ltd.**

Deutsche Bank

Aktiengesellschaft

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