

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

February 27, 2004

**SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549**

FORM 6-K

**REPORT OF FOREIGN ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF THE
SECURITIES EXCHANGE ACT OF 1934**

FOR February 26, 2004

(Commission File No. 1-31317)

Companhia de Saneamento Básico do Estado de São Paulo - SABESP
(Exact name of registrant as specified in its charter)

Basic Sanitation Company of the State of Sao Paulo - SABESP
(Translation of Registrant's name into English)

**Rua Costa Carvalho, 300
São Paulo, S.P., 05429-900
Federative Republic of Brazil**
(Address of Registrant's principal executive offices)

Indicate by check mark whether the registrant files or will file
annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(1) .

Indicate by check mark if the registrant is submitting the Form 6-K
in paper as permitted by Regulation S-T Rule 101(b)(7) .

Indicate by check mark whether the registrant by furnishing the
information contained in this Form is also thereby furnishing the
information to the Commission pursuant to Rule 12g3-2(b) under
the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicated below the file number assigned to the
registrant in connection with Rule 12g3-2(b):

COMPANHIA DE SANEAMENTO BÁSICO DO ESTADO DE
SÃO PAULO SABESP
PUBLICLY HELD COMPANY
Corporate Taxpayer s ID (CNPJ) 43.776.517/0001-80

NOTICE TO SHAREHOLDERS

PAYMENT OF INTEREST ON OWN CAPITAL

We hereby inform the Shareholders that, in a meeting held on February 26, 2004, the Management Bodies of Companhia de Saneamento Básico do Estado de São Paulo - SABESP deliberated, pursuant to section 2 of Article 30 of its Bylaws, the credit and payment of Dividends in the form of Interest on Own Capital, referring to January 2004, to the holders of shares on the base date of March 15, 2004.

I AMOUNT, DATE AND CREDIT AND PAYMENT TERMS

The Dividends as Interest on Own Capital totaling R\$ 39,301,817.40 (thirty nine million, three hundred and one thousand, eight hundred and seventeen reais and forty cents) correspond to R\$ 1.38 (one real and thirty eight cents) per thousand common shares and shall be paid no later than sixty (60) days after the 2005 Annual Shareholders' Meeting.

II WITHHOLDING INCOME TAX

Withholding Income Tax will be deducted from the amount of payment of Dividends as Interest on Own Capital, pursuant to current legislation, except for exempt shareholders who prove this condition prior to May 28, 2004, by presenting related documents to the Company at Rua Costa Carvalho 300 - São Paulo - SP, CEP: 05429-900, in attention to the Superintendência de Captação de Recursos e Relações com Investidores, FI, sala 265.

III CONTRIBUTION TO DIVIDENDS

Said Interest on Own Capital will be computed in the calculation of the mandatory minimum dividends, as provided in Article 30 item II, letter b of the Company s Bylaws and in Paragraph 7 of Article 9 of Law 9249/95.

IV INSTRUCTIONS FOR THE CREDIT AND PAYMENT OF INTEREST ON OWN CAPITAL

- a) The shareholders will have their credits available on the initial date of payment of such right, as set forth in above item I, according to their banking account and domicile provided to Banco Itaú S.A..
- b) To shareholders whose registry information does not include either their Individual/Corporate Taxpayer s Identification Number (CPF/CNPJ) or complete banking instructions (bank, branch and account number), the interest will be credited, pursuant to item I above, as of the third day after pending information is updated in the electronic files of Banco Itaú S.A.. This can be done either at any of its branches or by mail sent to Banco Itaú S.A - Diretoria de Ações e Custódia at Avenida Engenheiro Armando de Arruda Pereira, 707, 9º andar - Jabaquara CEP 04344-902 São Paulo SP Brasil.

V - RECORD DATE

The shares will start being traded ex-interest and ex-dividends on March 16, 2004.

VI Further information can be obtained at any branch of Banco Itaú S.A., which are specialized in assisting shareholders, during banking hours.

São Paulo, February 26, 2004.

Rui de Britto Álvares Affonso

Economic and Financial Officer and Investor Relations Officer

