

COMPANHIA DE SANEAMENTO BASICO DO ESTADO DE SAO PAULO-SABESP

Form 6-K

December 15, 2006

**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 December 15, 2006

(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 December 14, 2006, the Board of Directors of Companhia de Saneamento Básico do Estado de São Paulo – SABESP approved the Full Executive Board proposal, after hearing the Fiscal Council, pursuant to paragraph 2 of Article 37 of its Bylaws, the declaration of payment of dividends in the form of Interest on Own Capital, referring to the fourth quarter of 2006 to the shareholders on the reference date of December 27, 2006.

I AMOUNT, DATE AND CREDIT AND PAYMENT TERMS

The Dividends as Interest on Own Capital, totaling one hundred and forty one million, two hundred and fifty eight thousand, seven hundred and six reais and two cents, (R\$ 141,258,706.02) corresponding to R\$ 4.96 (four reais and ninety six cents) per thousand common shares will be paid no later than sixty (60) days after the 2007 Annual Shareholders' Meeting.

II WITHHOLDING INCOME TAX

Income tax shall be withheld from payment of dividends as interest on own capital, pursuant to the laws in force, except for the immune or exempt shareholders proving such condition until March 31, 2007, and corresponding documents shall be sent to the Company's headquarters located at Rua Costa Carvalho, 300 – Sala 265 – São Paulo – SP CEP 05429-900, in attention to the Superintendência de Captação de Recursos e Relações com Investidores - FI.

Referring to the entities of Supplementary Private Pension, Insurance Companies and Fapi, such proof shall occur by means of Declaration, a model of which is available at the Investors Area, in the item Information to Shareholders on the website www.sabesp.com.br.

III CONTRIBUTION TO DIVIDENDS

Said Interest on Own Capital will be declared and computed in the calculation of the mandatory minimum dividends, as provided in Article 37, Paragraph 2 of the Company's Bylaws and in Paragraph 7 of the Article 9 of the Law 9249/95.

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

The shareholders will have their credits available on the initial date of payment of such right, as set forth in above item I, in accordance with their checking account and domicile provided to Banco Itaú S.A.

To shareholders whose registry information does neither include their Individual/Corporate Taxpayer's Identification Number (CPF/CNPJ) nor completion of banking instructions (bank, branch and account number), the interest will be credited, pursuant to item I above, as of the third business day counted from the date of registry update in Banco Itaú S.A.'s electronic files. This update may be carried out either at any of its branches or by mail sent to Banco Itaú S.A. - Diretoria Serviços para o Mercado de Capitais - Unidade de Ações e Debêntures at Avenida Engenheiro Armando de Arruda Pereira, 707, 9º andar - Jabaquara - CEP: 04344-902 - São Paulo - SP.

V RECORD DATE

The shares now are traded ex-interest from December 28, 2006.

VI Further information may be obtained at any of Banco Itaú S.A.'s branches, which are specialized in assisting shareholders, during banking hours.

São Paulo, December 15, 2006.

Rui de Britto Álvares Affonso
Chief Financial Officer and Investor Relations Officer
