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**Law No. (46) of 2011 ratifying the Convention Between The Government of The Kingdom of Bahrain And the Government of the Bermuda for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income**

We, Hamad bin Isa Al Khalifa King of the Kingdom of Bahrain. Having reviewed the Constitution;

And the Convention Between The Government of The Kingdom of Bahrain And the Government of Bermuda for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, signed in Washington on 22 April 2010, The Shura Council and the Council of Representatives have approved the following law, which we have ratified and enacted:

**Article one**

The Convention Between the Government of the Kingdom of Bahrain And the Government of Bermuda for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, signed in Washington on 22 April 2010, attached to this law has been ratified.

**Article two**

The Prime Minister and the ministers– each within his jurisdiction- shall implement this Law and it shall come into force from the day following the date of its publication in the Official Gazette

**King of the Kingdom of Bahrain Hamad bin Isa Al Khalifa**

Issued at Riffa Palace on: 27 Muharram 1433 A.H. Corresponding to: 22 December 2011

**Convention Between the Government of the Kingdom of Bahrain And the Government of the Bermuda for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income**

The Governments of the Kingdom of Bahrain and Bermuda (as authorised by the Government of the United Kingdom of Great Britain and Northern Ireland) desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income. Have agreed as follows:

**Chapter One Article -1- Persons Covered by the Convention**

This Convention shall apply to persons who are residents of one or both of the Contracting Parties.

**Article -2- Taxes Covered**

1- This Convention shall apply to taxes on income imposed on behalf of a Contracting Party or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.

2- There shall be regarded as taxes on income and on capital all taxes imposed on total income, on total capital, or on elements of income or of capital, including taxes on gains from the alienation of movable or immovable property, taxes on the total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciation.

3- The existing taxes to which this Convention shall apply are in particular: (a) in Bahrain: income tax payable under legislative Decree No. (22) of 1979 (The Oil Tax) (hereinafter referred to as (Bahrain tax). (b) in Bermuda tax of every kind and description except the Bermuda Payroll Tax (hereinafter referred to as "Bermuda Tax").

4- The Convention shall apply also to any identical or substantially similar taxes that are imposed after the date of signature of the Convention in addition to, or in place of. the existing taxes. The competent authorities of the Contracting Parties shall notify each other of any substantial changes that have been made in their taxation laws.

**Chapter Two Article -3- General Definitions**

1- For the purposes of this Convention, unless the context otherwise requires:

A. (1) the term "Bahrain” means the territory of the Kingdom of Bahrain as well as the territorial waters , seabed and subsoil over which Bahrain exercises, in accordance with international law, sovereign rights and jurisdiction. (2) the term "Bermuda", when used in a geographical sense, means the Islands of Bermuda, including its territorial waters.

B. the terms "a Contracting Party" and "the other Contracting Party" mean Bahrain or Bermuda, as the context requires.

C. the term "tax" means any tax covered by Article (2) of this Convention

D. the term "person" includes an individual, a company and any other body of persons

E. the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes or any other entity constituted or recognised under the laws of one or other of the Contracting Parties as a body- corporate.

F. the term "enterprise" applies to the carrying on of any business.

G. the terms "enterprise of a Contracting Party" and "enterprise of the other Contracting Party " mean respectively an enterprise carried on by a resident of a Contracting Party and an enterprise carried on by a resident of the other Contracting Party.

H. the term "international traffic" means any transport by a ship or aircraft operated by an enterprise that has its place of effective management in a Contracting Party, except when the ship or aircraft is operated solely between places in the other Contracting Party.

I. the term “competent authority” means: 1- in the case of Bahrain: the Minister for Finance or his authorised representative. 2- in the case of Bermuda: the Minister for Finance or his authorised representative.

J. the term "national", in relation to a Contracting Party, means: 1- any individual possessing the nationality of that Contracting Party. 2- any association, company, legal person, partnership, trust, estate or other entity deriving its status as such from the laws in force in that Contracting Party.

K. the term "business" includes the performance of professional services and of other activities of an independent character.

2- As regards the application of this Convention at any time by a Contracting Party, any term not defined therein shall, unless the context otherwise requires, have the meaning that it has at that time under the law of that Party for the purposes of the taxes to which this Convention applies.

**ARTICLE– 4- Resident**

1. For the purposes of this Convention, the term “resident of a Contracting Party” means a national of either Contracting Party who is ordinarily resident in either of the Contracting Parties.

A. in the case of Bahrain, an individual who is a national of Bahrain and who is present in Bahrain for a period or periods totalling in the aggregate at least 183 days in the fiscal year concerned, and a company or other legal person which is incorporated or has its place of management in Bahrain.

B. in the case of Bermuda, an individual who is ordinarily resident in Bermuda; and a company, partnership, trust or association created under the laws of Bermuda.

C. An office.

D. A factory.

E. A workshop.

F. a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

G. a refinery.

H. a places used as sales outlet.

I. a warehouse in relation to a person providing storage facilities for others.

2. A building site or construction or installation project constitutes a permanent establishment only if it lasts more than twelve months.

3. An enterprise shall be deemed to have a permanent establishment in a Contracting Party and to carry on business through that permanent establishment if in that Party it carries on any activity which is directly connected with the exploration for or production of crude oil or other natural hydrocarbons from the ground in that Party either for its own account or in refining crude oil owned by it or by others, wheresoever extracted, in its facilities in that Party.

4. Notwithstanding the preceding provisions of this Article, the term “permanent establishment” shall not include:

A. the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise.

B. the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery.

C. the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise.

D. the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise.

E. the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character.

5. Where by reason of the provisions of paragraph (1) an individual is a resident of both Contracting Parties, then his status shall be determined as follows:

A. He shall be deemed to be a resident of the Party in which he has a permanent home available to him; if he has a permanent home available to him in both Parties, he shall be deemed to be a resident of the Party with which his personal and economic relations are closer (centre of vital interests).

B. if the Party in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either Contracting Party, he shall be deemed to be a resident only of the Party in which he has an habitual abode.

C. if he has an habitual abode in both Contracting Parties or in neither of them, he shall be deemed to be a resident only of the Party of which he is a national.

D. if he is a national of both Parties or of neither of them, the competent authorities of the Contracting Parties shall settle the question by mutual Convention.

6. Where by reason of the provisions of paragraph (1) a person other than an individual is a resident of both Contracting Parties, then it shall be deemed to be a resident only of the Party in which its place of effective management is situated.

**ARTICLE– 5- Permanent establishment**

1- For the purposes of this Convention, the term “permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on.

2- The term "permanent establishment" includes especially"

A. a place of management.

B. a branch.

C. the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs (a) to (e). provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

7. Notwithstanding the provisions of paragraphs (1) and (2) of this Article, where a person -other than an agent of an independent status to whom paragraph (6) applies is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting Party an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that Party in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph (5) which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

8. An enterprise shall not be deemed to have a permanent establishment in a Contracting Party merely because it carries on business in that Party through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.

9. The fact that a company which is a resident of a Contracting Party controls or is controlled by a company which is a resident of the other Contracting Party, or which carries on business in that other Party (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

**Chapter Three Taxation Of Income Article -6- Income From Immovable Property**

1- Income derived by a resident of a Contracting Party from immovable property (including income from agriculture or forestry) situated in the other Contracting Party may be taxed in that other Party.

2- The term "immovable property" shall have the meaning which it has under the law of the Contracting Party in which the property in question is situated. The term shall, in any case, include property accessories to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting land property apply, rights of easement,usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships and aircraft shall not be regarded as immovable property.

3- The provisions of paragraph (1) shall apply to income derived from the direct use. letting, or use in any other form of immovable property.

4- The provisions of paragraphs (1) and (3) shall also apply to the income from immovable property of an enterprise.

**Article– 7- Business gains**

1- The gains of an enterprise of a Contracting Party shall be taxable only in that Party unless the enterprise carries on business in the other Contracting Party through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the gains of the enterprise may be taxed in the other Party but only so much of them as are attributable to that permanent establishment.

2- Subject to the provisions of paragraph (3), where an enterprise of a Contracting Party carries on business in the other Contracting Party through a permanent establishment situated therein, there shall in each Contracting Party be attributed to that permanent establishment the gains which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

3- In determining the gains of a permanent establishment, there shall be allowed as deduction of expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the Party in which the permanent establishment is situated or elsewhere.

4- Insofar as it has been customary in a Contracting Party to determine the gains to be attributed to a permanent establishment on the basis of an apportionment of the total gains of the enterprise to its various parts, nothing in paragraph (2) shall preclude that Contracting Party from determining the gains to be taxed by such an apportionment as may be customary; the method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles contained in this Article.

5- No gains shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

6- For the purposes of the preceding paragraphs, income or gains to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

7- Where gains include items of income which are dealt with separately in other Articles of this Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

**Article -8- Shipping. Inland Waterways Transport And Air Transport**

1- gains from the operation of ships or aircraft in international traffic shall be taxable only in the Contracting Party in which the place of effective management of the enterprise is situated.

2- gains from the operation of boats engaged in inland waterways transport shall be taxable only in the Contracting Party in which the place of effective management of the enterprise is situated.

3- If the place of effective management of a shipping is aboard a ship, then it shall be deemed to be situated in the Contracting Party in which the home harbour of the ship is situated, or, if there is no such home harbour, in the Contracting Party of which the operator of the ship is a resident.

4- The provisions of paragraph (1) shall also apply to gains from the participation in a pool, a joint business or an international operating agency.

**Article– 9- Associated Enterprises**

1- Where:

A. an enterprise of a Contracting Party participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting Party , or

B. the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting Party and an enterprise of the other Contracting Party.

C. and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then without those conditions, any gains that could have been realized by either project, but because of those conditions that have not been achieved, may be credited to the enterprise's gains and taxed accordingly.

2- Where a Contracting Party includes in the gains of an enterprise of that Party - and taxes accordingly - gains on which an enterprise of the other Contracting Party has been charged to tax in that other Party and the gains so included are gains which would have accrued to the enterprise of the first-mentioned Party if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other Party shall make an appropriate adjustment to the amount of the tax charged therein on those gains. In determining such adjustment, due regard shall be had to the other provisions of this Convention and the competent authorities of the Contracting Parties shall, if necessary, consult each other.

**Article– 10- Dividends**

1- Dividends paid by a company which is a resident of a Contracting Party to a resident of the other Contracting Party may be taxed in that other Party.

2- However, such dividends may also be taxed in the Contracting Party of which the company paying the dividends is a resident and according to the laws of that Party, but if the beneficial owner of the dividends is a resident of the other Contracting Party, the tax so charged shall not exceed: a) 0% of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) which holds directly at least 25% of the capital of the company paying the dividends. b) 0% of the gross amount of dividends in other cases. The competent authorities of the Contracting Parties shall by mutual Convention settle the mode of application of these ratios. This paragraph shall not affect the taxation of the company in respect of the gains out of which the dividends are paid.

3- The term "dividends" as used in this Article means income from shares, "jouissance" shares or "jouissance" rights, mining shares, founders' shares or other rights, not being debt-claims, participating in gains, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the Party of which the company making the distribution is a resident.

4- The provisions of paragraphs (1) and (2) of this Article shall not apply if the beneficial owner of the dividends, being a resident of a Contracting Party, carries on business in the other Contracting Party of which the company paying the dividends is a resident through a permanent establishment situated therein and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment. In such case the provisions of Article (7) shall apply.

5- Where a company which is a resident of a Contracting Party derives gains or income from the other Contracting Party, that other Party may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other Party or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment situated in that other Party, nor subject the company's undistributed gains to a tax on the company's undistributed gains, even if the dividends paid or the undistributed gains consist wholly or partly of gains or income arising in such other Party.

6- Notwithstanding the provisions of paragraph (2), dividends arising in a Contracting Party and paid to the Government of the other Contracting Party or a local authority or statutory' body or agency thereof, or to the National Bank or any wholly owned company of that other Party, shall be exempt from tax in the first mentioned Contracting Party.

**Article– 11- Income From Debt-Claims**

1- Income from debt claims arising in a Contracting Party and paid to a resident of the other Contracting Party may be taxed in that other Party.

2- However, such income may also be taxed in the Contracting Party in which it arises and according to the laws of that Party, but if the beneficial owner of the income is a resident of the other Contracting Party, the tax so charged shall not exceed (0%) of the gross amount of the income. The competent authorities of the Contracting Parties shall by mutual Convention settle the mode of application of this ratio.

3- The terms "income from debt claims" and "income" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's gains, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. Penalty charges for late payment shall not be regarded as income for the purposes of this Article.

4- The provisions of paragraphs (1) and (2) shall not apply if the beneficial owner of the income, being a resident of a Contracting Party, carries on business in the other Contracting Party in which the income arises through a permanent establishment situated therein and the debt-claim in respect of which the income is paid is effectively connected with such permanent establishment. In such case the provisions of Article (7) shall apply.

5- Income from debt-claims shall be deemed to arise in a Contracting Party when the payer is a resident of that Party. Where, however, the person paying the income, whether he is a resident of a Contracting Party or not, has in a Contracting Party a permanent establishment in connection with which the indebtedness on which the income is paid was incurred, and such income is borne by such permanent establishment, then such income shall be deemed to arise in the Party in which the permanent establishment is situated.

6- Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the income, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting Party, due regard being had to the other provisions of this Convention.

7- Notwithstanding the provisions of paragraph (2), dividends arising in a Contracting Party and paid to the Government of the other Contracting Party or a local authority or statutory' body or agency thereof, or to the National Bank or any wholly owned company of that other Party, shall be exempt from tax in the first mentioned Contracting Party.

**Article– 12- Royalties**

1- Royalties arising in a Contracting Party and beneficially owned by a resident of the other Contracting Party may be taxable in that other Party.

2- The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use. any copyright of literary, artistic or scientific work including cinematography films, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience.

3- The provisions of paragraph (1) of this Article shall not apply if the beneficial owner of the royalties, being a resident of a Contracting Party carries on business in the other Contracting Party in which the royalties arise through a permanent establishment situated therein and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment. In such case the provisions of Article (7) shall apply.

4- Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting Party, due regard being had to the other provisions of this Convention.

**Article– 13- Capital Gains**

1- Gains derived by a resident of a Contracting Party from the alienation of immovable property referred to in Article (6) and situated in the other Contracting Party may be taxed in that other Party.

2- Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting Party has in the other Contracting Party, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise), may be taxed in that other Party.

3- Gains from the alienation of ships or aircraft operated in international traffic, boats engaged in inland waterways transport or movable property pertaining to the operation of such ships, aircraft or boats, shall be taxable only in the Contracting Party in which the place of effective management of the enterprise is situated.

4- Gains derived by a resident of a Contracting Party from the alienation of shares deriving more than 50% of their value directly or indirectly from immovable property situated in the other Contracting Party may be taxed in that other Party.

5- Gains from the alienation of any property, other than that referred to in paragraphs (1), (2) and (3) and (4) of this Article. shall be taxable only in the Contracting Party of which the alienator is a resident.

**Article– 14- Income From Debt-Claims**

1- Subject to the provisions of Articles (15), (17) and (18), salaries, wages and other similar remuneration derived by a resident of a Contracting Party in respect of an employment shall be taxable only in that Party unless the employment is exercised in the other Contracting Party. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other Party.

2- Notwithstanding the provisions of paragraph (1), remuneration derived by a resident of a Contracting Party in respect of an employment exercised in the other Contracting Party shall be taxable only in the first-mentioned Party if:

(a) the recipient is present in the other Party for a period or periods not exceeding in the aggregate (183) days in any twelve month period commencing or ending in the fiscal year concerned, and.

(b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other Party.

(c) Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic may be taxed in the Contracting Party in which the place of effective management of the enterprise is situated

**Article– 15- Directors' Fees**

Directors' fees and other similar payments derived by a resident of a Contracting Party in his capacity as a member of the board of directors or any similar organ of a company which is a resident of the other Contracting Party may be taxed in that other Party.

**Article– 16- Artists And Sports persons**

1- Notwithstanding the provisions of Articles (7) and (14). income derived by a resident of a Contracting Party as an entertainer, such as a theatre, motion picture, radio or television artist, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting Party, may be taxed in that other Party.

2- Where income in respect of personal activities exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles (7) and (14), be taxed in the Contracting Party in which the activities of the entertainer or sportsman are exercised.

**Article– 17- Pensions**

Subject to the provisions of paragraph (2) of Article (18), pensions and other similar remuneration paid to a resident of a Contracting Party in consideration of past employment shall be taxable only in that Party.

**Article– 18- Government Service**

1- (a) Salaries, wages and other similar remuneration paid by a Contracting Party or a political subdivision or a local authority thereof to an individual in respect of services rendered to that Party or subdivision or authority shall be taxable only in that Party. (b) However, such salaries, wages and other similar remuneration shall be taxable only in the other Contracting Party if the services are rendered in that Party and the individual is a resident of that Party who: 1- is a national of that Party; or 2- has not become a resident of that Party solely for the purpose of rendering the services.

2- (a) Notwithstanding the provisions of paragraph (1) of this Article, pensions and other similar remuneration paid by, or out of funds created by, a Contracting Party or a political subdivision or a local authority thereof to an individual in respect of services rendered to that Party or subdivision or authority shall be taxable only in that Party. (b) However, such pensions and other similar remunerations shall be taxable only in the other Contracting Party if the individual is a resident of. and a national of, that Party.

3 The provisions of Articles (14), (15), (16), and (17) shall apply to salaries, wages, pensions, and other similar remuneration in respect of services rendered in connection with a business carried on by a Contracting Party or a political subdivision or a local authority thereof.

**Article– 19- Students**

Payments which a student or an apprentice who is or was immediately before visiting a Contracting Party a resident of the other Contracting Party and who is present in the first-mentioned Party solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that Party, provided that such payments arise from sources outside that Party.

**Article -20- Other Income**

1- Items of income of a resident of a Contracting Party, wherever arising, not dealt with in the foregoing Articles of this Convention shall be taxable only in that Party.

2- The provisions of paragraph (1) shall not apply to income, other than income from immovable property as defined in paragraph (2) of Article (6). if the recipient of such income, being a resident of a Contracting Party, carries on business in the other Contracting Party through a permanent establishment situated therein and the right or property in respect of which the income is paid is effectively connected with such permanent establishment. In such case the provisions of Article (7) shall apply.

**Chapter Four Taxation Of Capital Article -21- Capital**

1- Capital represented by immovable property referred to in Article (6) of this Convention, owned by a resident of a Contracting Party and situated in the other Contracting Party, may be taxed in that other Party.

2- Capital represented by movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting Party has in the other Contracting Party may be taxed in that other Party.

3- Capital represented by ships and aircraft operated in international traffic and by boats engaged in inland waterways transport, and by movable property pertaining to the operation of such ships, aircraft and boats, shall be taxable only in the Contracting Party in which the place of effective management of the enterprise is situated.

4- All other elements of capital of a resident of a Contracting Party shall be taxable only in that Party.

**Chapter Five Elimination Of Double Taxation Article -22- Elimination Of Double Taxation**

1- Where a resident of a Contracting Party derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in the other Contracting Party, the first-mentioned Party shall, subject to the provisions of paragraphs (2) and (3), exempt such income or capital from tax.

2- Where a resident of a Contracting Party derives items of income which, in accordance with the provisions of Articles (10) and (11). may be taxed in the other Contracting Party, the first-mentioned Party shall allow as a deduction from the tax on the income of that resident an amount equal to the tax paid in that other Party. Such deduction shall not, however, exceed that part of the tax, as computed before the deduction is given, which is attributable to such items of income derived from that other Party.

3- Where in accordance with any provision of the Convention income derived or capital owned by a resident of a Contracting Party is exempt from tax in that Party, such Party may nevertheless, in calculating the amount of tax on the remaining income or capital of such resident, take into account the exempted income or capital.

4- The provisions of paragraph (1) shall not apply to income derived or capital owned by a resident of a Contracting Party- where the other Contracting Party applies the provisions of the Convention to exempt such income or capital from tax or applies the provisions of paragraph (2) of Article (10) or (11) to such income.

**Chapter Six Special Provisions Article 23 Non-Discrimination**

1- Nationals of a Contracting Party shall not be subjected in the other Contracting Party to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other Party in the same circumstances, in particular with respect to residence, are or may be subjected. This provision shall, notwithstanding the provisions of Article (1), also apply to persons who are not residents of one or both of the Contracting Parties.

2- Stateless persons who are residents of a Contracting Party shall not be subjected in either Contracting Party to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of the Party concerned in the same circumstances, in particular with respect to residence, are or may be subjected.

3- The taxation on a permanent establishment which an enterprise of a Contracting Party has in the other Contracting Party shall not be less favourably levied in that other Party than the taxation levied on enterprises of that other Party carrying on the same activities. This provision shall not be construed as obliging a Contracting Party to grant to residents of the other Contracting Party any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

4- Except where the provisions of paragraph (1) of Article (9). paragraph (6) of Article (11), or paragraph (4) of Article (12). apply, income from debt claims, royalties and other disbursements paid by an enterprise of a Contracting Party to a resident of the other Contracting Party shall, for the purpose of determining the taxable gains of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned Party. Similarly, any debts of an enterprise of a Contracting Party to a resident of the other Contracting Party shall, for the purpose of determining the taxable capital of such enterprise, be deductible under the same conditions as if they had been contracted to a resident of the first-mentioned Party.

5- Enterprises of a Contracting Party, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting Party, shall not be subjected in the first-mentioned Party to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned Party are or may be subjected.

6- The provisions of this Article shall, notwithstanding the provisions of Article (2), apply to taxes of every kind and description.

**Article– 24- Mutual Agreement Procedure**

1- Where a person considers that the actions of one or both of the Contracting Party result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those Party, present his case to the competent authority of the Contracting Party of which he is a resident or, if his case comes under paragraph (1) of Article (24), to that of the Contracting Party of which he is a national. The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.

2- The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual Convention with the competent authority of the other Contracting Party, with a view to the avoidance of taxation which is not in accordance with the Convention. Any Convention reached shall be implemented notwithstanding any time limits in the domestic law of that Contracting Party.

3- The competent authorities of the Contracting Parties shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention. They may also consult together for the elimination of double taxation in cases not provided for in this Convention.

4- The competent authorities of the Contracting Parties may communicate with each other directly, including through a joint commission consisting of themselves or their representatives, for the purpose of reaching a Convention in the sense of the preceding paragraphs:

5- Where: a) under paragraph (1), a person has presented a case to the competent authority of a Contracting Party on the basis that the actions of one or both of the Contracting Parties have resulted for that person in taxation not in accordance with the provisions of this Convention, and b) the competent authorities are unable to reach a Convention to resolve that case pursuant to paragraph (2) within two years from the presentation of the case to the competent authority of the other Contracting Party. any unresolved issues arising from the case shall be submitted to arbitration if the person so requests. however, these unresolved issues shall not be submitted to arbitration if a decision on these issues has already been rendered by a court or administrative tribunal of either Party. Unless a person directly affected by the case does not accept the mutual agreement that implements the arbitration decision, that decision shall be binding on both Contracting Parties and shall be implemented notwithstanding any time limits in the domestic laws of these Parties. The competent authorities of the Contracting Parties shall by mutual agreement settle the mode of application of this paragraph.

**Article– 25- Exchange Of Information**

1- The competent authorities of the Contracting Parties shall exchange such information as is forseeably relevant for carrying out the provisions of this Convention or to the administration or enforcement of the domestic laws concerning taxes of every kind and description imposed on behalf of the Contracting Parties, insofar as the taxation thereunder is not contrary to the Convention. The exchange of information is not restricted by Articles (1) and (2).

2- Any information received by a Contracting Party shall be treated as secret in the same manner as information obtained under the domestic laws of that Party and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with the assessment or collection of, the enforcement or prosecution in respect of, the determination of appeals in relation to the taxes referred to in paragraph (1) . Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions. Notwithstanding the foregoing, information received by a Contracting Party may be used for other purposes when such information may be used for such other purposes under the laws of both Parties and the competent authority of the supplying Party authorises such use.

3- In no case shall the provisions of paragraphs (1) and (2) of this Article be construed so as to impose on a Contracting Party the following obligations: a- to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting Party. b– to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting Party. c– to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information, the disclosure of which would be contrary to public policy. d- to supply information, which is neither held by its authorities nor in the possession or control of persons who are within its territorial jurisdiction.

4- If information is requested by a Contracting Party in accordance with this Article, the other Contracting Party shall use its information gathering measures to obtain the requested information, even though that other Party may not need such information for its own tax purposes. This obligation referred to in the preceding phrase shall be determined in accordance with the limits mentioned in paragraph (3), and in any event such limits shall not be construed as a Contracting Party's licence not to cooperate by providing information only because it has no domestic interest in such information.

**Article– 26- Members Of Diplomatic Or Permanent Missions And Consular Posts**

Nothing in this Convention shall affect the fiscal privileges of members of diplomatic missions or consular posts under the general rules of international law or under the provisions of special Conventions.

**Chapter Seven Final Provisions Article -27- Entry Into Force of the Convention**

Each of the Contracting Parties shall notify to the other, through the diplomatic channels the completion of the procedures required by its domestic law for bringing into force of this Convention.. This Convention shall enter into force on the date of the latter of these notifications and its provisions shall have effect on the first day of January of the year following that of entry into force of this Convention for taxes with respect to every taxable period beginning on or after the date of entry into force of this Convention.

**ARTICLE– 28- Termination of the Convention**

This Convention shall remain in force until terminated by a Contracting Party. Either Contracting Party may terminate this Convention, through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year following after the period of five (5) years from the date on which this Convention enters into force.

In such event, this Convention shall cease to have effect for taxes with respect to every taxable period beginning on or after the first day of January of the year following that in which the notice is given with respect to every taxable period beginning on or after the date of entry into force of this Convention and ending on or before the first day of January of the year following that in which the notice of termination is given.

In witness whereof the undersigned, duly authorised thereto by their governments, have signed this Convention.

Done in duplicate at Washington this 22 April 2010, in the Arabic and English Languages, all texts being equally authentic. In case of divergence between the texts, the English text shall be the operative one.

**For the Government of the Kingdom of Bahrain For the Government of Bermuda**