**Disclaimer: The official version of the law and any amendments thereto is published in Arabic in the Official Gazette. This version of the law, including amendments thereto, is provided for guidance and easy reference purposes. The Legislation & Legal Opinion Commission does not accept any liability for any discrepancy between this version and the official version as published in the Official Gazette and / or any inaccuracy or errors in the translation.**

**For any corrections, remarks, or suggestions, kindly contact us on translate@lloc.gov.bh**

**Published on the website on May 2024**

**Law No. (10) of 2012 ratifying the Convention Between the Government of The Kingdom Of Bahrain and the Government of the Isle of Man for the Avoidance of Double Taxation and The Prevention of Fiscal Evasion With Respect to taxes on Income and Capital Gains.**

We, Hamad bin Isa Al Khalifa King of the Kingdom of Bahrain.

Having reviewed the Constitution,

The Convention Between the Government of The Kingdom Of Bahrain and the Government of the Isle of Man for the Avoidance of Double Taxation and The Prevention of Fiscal Evasion With Respect to Taxes on Income and Capital Gains, signed in Manama on 3 February 2011.

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 the Isle of Man for the Avoidance of Double Taxation and The Prevention of Fiscal Evasion With Respect to Taxes on Income and Capital Gains, signed in Manama on 3 February 2011. 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 Kingdom of Bahrain**

**Hamad bin Isa Al Khalifa**

Issued at Riffa Palace:

30 Rabi' Al-awwal 1433 A.H.

Corresponding to: 22 February 2012

**Convention Between The Government Of The Kingdom Of Bahrain And The Government Of The Isle Of Man For The Avoidance Of Double Taxation And The Prevention Of Fiscal Evasion With Respect To Taxes On Income and Capital Gains**

The Government of the Kingdom of Bahrain and the Isle of Man, desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and Capital, have agreed as follows:

**Article (1)**

**Persons Covered**

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

**Article (2)**

**Taxes Covered**

1- This Convention shall apply to taxes on income and property levied in the interest of a Contracting State 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 all taxes imposed on total income or total property, on elements of income or property, 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 outward property.

3- The existing taxes to which this Convention shall apply are in particular:

**(a) Iin the case of the Kingdom of Bahrain:**income tax payable under Legislative Decree No. (22) of 1979 (hereinafter referred to as “Bahrain tax”)، and

**(b) In the Isle of Man:** Taxes on income or gains. (hereinafter referred to as "Manx 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 Authorities shall notify each other of any substantial changes that have been made in their taxation laws.

**Article (3)**

**General Definitions**

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

a- the term "**Bahrain**” means the territory of the Kingdom of Bahrain as well as its regional waters, seabed and subsoil over which Bahrain exercises, in accordance with international law, sovereign rights and jurisdiction.

b- the term "Isle of Man" means the island of the Isle of Man, including its territorial sea, in accordance with international law.

c- the terms "a Contracting State" and "the other Contracting State" mean Kingdom of Bahrain or the Isle of Man as the context requires; the term "Contracting Parties" means Kingdom Bahrain and the Isle of Man.

d- the term "person" includes individuals, companies and any other entity composed 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 taxable entity created or recognised under the laws of one or other of the Contracting States as a body corporate.

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

g- the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State.

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 State, except when the ship or aircraft is operated solely between places in the other Contracting State.

i- the term "competent authority" means.

1- in Bahrain, the Minister of Finance or his authorised representative.

2- in the Isle of Man. the Assessor of Income lax or his authorised representative.

j- the term "national", in relation to a Contracting State, means:

1- in the case of Bahrain any individual possessing nationality thereof and any legal person, partnership or corporate deriving its status as such from the laws in force in Bahrain.

2- in the case of the Isle of Man any individual possessing nationality or citizenship thereof and any legal person, partnership or corporate deriving its status as such from the laws in force in the Isle of Man.

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

2- As regards the application of the Convention at any time by a Contracting State, 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 Contracting State for the purposes of the taxes to which the Convention applies. any meaning under the applicable tax laws of this State prevailing over a meaning given to the tern under other laws thereof.

**Article (4)**

**Resident**

1- For the purposes of this Convention, the term "resident of a Contracting State" means:

a- in the case of Bahrain, any person who is a citizen of Bahrain and resides therein for a period or periods totalling in the aggregate at least 183 days in any fiscal year , and any company or other legal person which is incorporated or has its place of management in Bahrain, the Kingdom of Bahrain, and any political subdivision or local or statutory authority or body thereof; and.

b- in the case of the Isle of Man, any person who, under the laws of the Isle of Man, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature. and also includes the Isle of Man and any political subdivision or local authority thereof and any pension fund or pension scheme recognised by the Isle of Man.

This term, however, does not include any person who is liable to tax in that State in respect only of income from sources in that State.

2- Where by reason of the provisions of Paragraph (1) an individual is a resident of both Contracting States, then his status shall be determined as follows:

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

B- if the State 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 State, he shall be deemed to be a resident of the State in which he has an habitual abode.

c- if he has an habitual abode in both Contracting States or in neither of them, he shall be deemed to be a resident only of the State of which he is a national.

d- if he is a national of both States or of neither of them,the competent authorities of the Contracting States shall endeavour to settle the question by mutual agreement.

3- Where by reason of the provisions of Paragraph (1) of this Article, if a person other than natural persons is deemed to be a resident of both Contracting States, then it shall be deemed to be a resident only of the State 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 in particular:

a- a place of management.

b- a branch.

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- places used as sales outlets.

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

3- A building site or construction or installation project constitutes a permanent establishment only if it lasts a period not less than 12 months.

4- Notwithstanding the preceding provisions of this Article, the term “permanent establishment” shall be deemed not to 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 advertising, for the supply of information, for scientific research or for similar activities which have a preparatory or auxiliary character, for the enterprise.

j- a fixed place of business is used 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.

5- Notwithstanding the provisions of paragraphs (1) and (2), where a person, other than an agent of an independent legal status to whom provisions of Paragraph (6) of this Article apply, is acting on behalf of an enterprise and has. and habitually exercises, in a Contracting State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State 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 (4) 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.

6- An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State 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.

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

**Article (6)**

**Income From Immovable Property**

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

2- The term "immovable property" shall have the meaning which it has under the laws of the Contracting State in which the property in question is situated. The term shall in any case include properly accessory 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 and 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 State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State 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 State 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 State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State 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 he allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.

4- Insofar as it has been customary in a Contracting State 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 State 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 elements 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 And Air Transport**

1- Gains from the enterprise of any Contracting State accrued from operation of ships or aircraft in international traffic shall be taxable only in that Contracting State only..

2- If the place of effective management of Bahrain transport enterprise or inland navigation is aboard a ship or a vessel, then it shall be deemed to be situated in the Contracting State in which the home harbour of the ship is situated, or, if there is no such home harbour, in the Contracting State of which the operator of the ship or the vessel is a resident.

3- For the purpose of this Article, gains from the operation of ships or aircraft in international traffic shall include in particular:

a- gains from the leasing of ships or aircraft engaged in international traffic on charter fully equipped, manned and supplied.

b- gains from the leasing of ships or aircraft on the basis of whether the leasing activity is an activity of the international transport project.

C- gains from the leasing of containers (including trailers and related equipment for the transport of containers) if such leasing activity is an ancillary activity for the enterprise engaged in international traffic.

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 State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State; or

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

and in either case, if conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between two independent enterprises, any profits could have been made by either of the enterprises but, because of those conditions, have not been met, may be incorporated into the gains of the enterprise and be taxable accordingly

2- If either Contracting State includes the gains of its enterprise and levies thereupon taxes accordingly, the gains of the enterprise of the other Contracting State which have been taxed in that latter Contracting State shall be deemed to be gains which may be realized for the project of the first State if the circumstances of the projects are the same as those which may exist between two projects which are independent of each other, the other Contracting State shall make an appropriate adjustment to the tax which it has imposed on such gains. In determining the amount of such adjustment, the other provisions of this Convention shall be taken into account and the competent authorities of the two Contracting States shall consult with each other when necessary.

**Article (10)**

**Dividends**

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

2- 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 State of which the company making the distribution is a resident.

3- The provisions of Paragraph (1) shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State 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.

4- Where a company which is a resident of a Contracting State derives gains or income from the other Contracting State, that other State may not impose any lax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment situated in that other State, nor subject the company's undistributed gains to a lax 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 State.

**Article (11)**

**Income From Debt-Claims**

1- Income from debt-claims arising in a Contracting State and which is beneficially owned by a resident of the other Contracting State shall be taxable only in that other Contracting State.

2- the terms "income from debt-claims" and "income" as used in this Article mean 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 purpose of this Article.

3- The provisions of Paragraph (1) shall not apply if the beneficial owner of the income, being a resident of a Contracting State, carries on business in the other Contracting State 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.

4- Income from debt-claims shall be deemed to arise in a Contracting State when the payer is a resident of that State. Where, however, the person paying the income, whether he is a resident of a Contracting State or not, has in a Contracting State 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 State in which the permanent establishment is situated.

5- 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 State, subject to the other provisions of this Convention.

**Article (12)**

**Royalties**

1- Royalties arising in a Contracting State and beneficially owned by a resident of the other Contracting State shall be taxable only in that other State.

2- The term "royalties" as used in this Article means payments of any kind collected 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) shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise through a permanent establishment situated therein and the right or property in respect of which the royalties arc 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 State, taking the other provisions of this Convention into account.

**Article (13)**

**Capital Gains**

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

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

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

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

**Article (14)**

**Income From Employment**

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

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

(a)- the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days during 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 State.

(c)- the remuneration is not borne by a permanent establishment which the employer has in the other State.

3- 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 State 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 State 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 State may be taxed in that other State.

**Article (16)**

**Artists And Sportsmen**

1- Notwithstanding the provisions of Articles (7) and (14). income derived by a resident of a Contracting State 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 State, may he taxed in that other State.

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 State 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 State in consideration of past employment shall be taxable only in that State.

**Article (18)**

**Government Service**

1- (a) Salaries, wages and other similar remuneration paid by a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.

(b) However, such salaries, wages and other similar remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State who:

1- is a national of that state; or

2- did not become a resident of that State solely for the purpose of rendering the services.

2- (a) Notwithstanding the provisions of paragraph (1), pensions and other similar remuneration paid by, or out of funds created by, a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.

(b) However, such pensions and other similar remuneration shall be taxable only in the other Contracting State if the individual is a resident of. and a national of, that State.

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 State or a political subdivision or a local authority thereof.

**Article (19)**

**Students**

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

**Article (20)**

**Other Income**

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

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 State, carries on business in the other Contracting State 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.

**Article (21)**

**Avoidance of Double Taxation**

1- In the case of Bahrain, double taxation shall be avoided as follows:

a- Where a resident of Bahrain derives income which, in accordance with the provisions of this Convention, may be taxed in the Isle of Man, Bahrain shall, subject to the provisions of sub-paragraph (b) of this paragraph, exempt such income from tax.

b- Where in accordance with any provision of the Convention income derived by a resident of Bahrain is exempt from tax in Bahrain, Bahrain may nevertheless, in calculating the amount of tax on the remaining income of such resident, take into account the exempted income.

2- In the case of the Isle of Man, double taxation shall be avoided as follows:

a- when imposing tax on its residents the Isle of Man may include in the basis upon which such taxes are imposed, the items of income, which, according to the provisions of this Convention, may be taxed in Bahrain.

b- where a resident of the Isle of Man derives income which, in accordance with the provisions of this Convention, may be taxed in Bahrain, the Isle of Man shall allow as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in Bahrain. Such deduction shall not. however, exceed that part of the income tax, as computed before the deduction is given, which is attributable to the income which may be taxed in Bahrain.

c- notwithstanding the provisions of sub-paragraph (b) where a company which is a resident of the Isle of Man:

1- derives income which, in accordance with the provisions of Articles 6, 7 or 13 of this Convention, may be taxed in Bahrain, the Isle of Man shall exempt such income from tax.

2- holds at least 10 percent of the capital of a company which is a resident of Bahrain, the Isle of Man shall exempt from tax the dividends paid to the company which is a resident of the Isle of Man by the company which is a resident of Bahrain.

**Article (22)**

**Non - Discrimination**

1- Nationals of a Contracting State shall not be subjected in the other Contracting State 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 State 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 State shall not be subjected in either Contracting State 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 State 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 State has in the other Contracting State shall not be less favourably levied in that State than the taxation levied on enterprises of that other State carrying on the same activities. This provision shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, relief 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 (5) 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 State to a resident of the other Contracting State 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 State.

5- Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State 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 State 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 (23)**

**Mutual agreement procedure**

1- Where a person considers that the actions of one or both of the Contracting Parties 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 Parties, present his case to the competent authority of the Contracting State of which he is a resident or. if his case comes under Paragraph (1) of Article (22), to that of the Contracting State of which he is a national. The case shall be presented within three years from the first notification of the action resulting in imposition of taxation on him 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 reach a suitable solution by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with the Convention. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting Parties.

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 the 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 an agreement 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 State 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 an agreement 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 State.

any unresolved issues arising from the case shall be submitted to arbitration if the person so requests. These unresolved issues shall not. however, be submitted to arbitration if a decision on these issues has already been rendered by a court or administrative tribunal of either State. 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 (24)**

**Exchange Of Information**

1- The competent authorities of the Contracting Parties shall exchange such information as is for seeably 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 there under is not contrary to the Convention. The exchange of information is not restricted by Articles (1) and (2).

2- Any information received under Paragraph (1) by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State 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), or the oversight of the above. 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.

3- In no case shall the provisions of Paragraphs (1) and (2) be construed so as to impose on a Contracting State the obligation:

a- to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State.

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 State.

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.

4- If information is requested by a Contracting State in accordance with this Article, the other Contracting State shall use its information gathering measures to obtain the requested information, even though that other State may not need such information for its own tax purposes. The obligation contained in the preceding sentence is subject to the limitations of paragraph (3) but in no case shall such limitations be construed to permit a Contracting State to decline to supply information solely because it has no domestic interest in such information.

5- In no case shall the provisions of Paragraph (3) be construed to permit a Contracting State to decline to supply information solely because the information is held by a bank, other financial institution, nominee or person acting in an agency or a fiduciary capacity or because it relates to ownership interests in a person.

Article (25)

Members of Diplomatic 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.

**Article (26)**

**Entry Into Force**

1- Each Contracting State shall notify the other Contracting State of the completion of the procedures required by its laws for bringing into force of this Convention. This Convention shall enter into force from the date of receipt of the last notification

2- The provisions of the Convention shall have effect:

a- with respect to taxes due at source on income credited or payable on or after January first of the year next following year in which the Convention entered into force.

b- with respect to taxes, other than taxes due at source, on income of taxable periods beginning on or after January first of the year next following the year in which the Convention entered into force.

**(Article 27)**

**Termination**

This Convention shall remain in force until terminated by a Contracting State but either Contracting State may terminate the Convention by giving to the other Contracting State written notice of termination not later than the (30th) June of any calendar year from the fifth year following that in which the Convention entered into force. In the event of termination before July first of such year, the Convention shall cease to have effect:

a- with respect to taxes due at source on income credited or payable on or after January first of the year next following the year in which the Convention entered into force.

b- with respect to taxes, other than taxes due at source, on income of taxable periods beginning on or after January first of the year next following the year in which the Convention entered into force.

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

Done in duplicate at Manama on 3 February 2011 in English and Arabic languages, both texts being equally authoritative, but in the case of divergence of interpretation the English text shall prevail.

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

**For the Government of the Isle of Man**