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**Law No. (13) of 2012 ratifying the Convention Between The Government of The Kingdom of Bahrain And the Government of the Czech Republic 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 the Czech Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, signed in Prague on 24 May 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 Czech Republic for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, signed in Prague on 24 May 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:

On 20 Rabi' Al- Akhir1433 A.H.

Corresponding to: 13 March 2012

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

The Government of the Kingdom of Bahrain and the Government of the Czech Republic, desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income,

**Article (1)**

**Persons Covered by the Convention 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 imposed on behalf 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 on elements of income, 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 the case of the Kingdom of Bahrain:** income tax payable under legislative Decree No. (22) of 1979 (hereinafter referred to as “Bahrain tax”).

**(b) in the case of the Czech Republic:**

1- the tax on income of individuals.

2- the tax on income of legal persons.

(hereinafter referred to as “Czech 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 States shall notify each other of any substantial changes, which have been made in their respective 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 the regional waters, seabed and subsoil thereof over which Bahrain exercises, in accordance with international law, sovereign rights and jurisdiction.

(b) the term “the Czech Republic” means the territory of the Czech Republic over which, under Czech legislation and in accordance with international law, the sovereign rights of the Czech Republic are exercised.

(c) the term “person” includes an individual, a company and any other body of persons

(e) the term “company” means a body corporate or an entity constituted or recognised under the laws of one or other of the Contracting States as a body corporate.

(f) the term "enterprise” applies to practice of any commercial activity.

(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 “**national**" means:

(1) any individual possessing the nationality of that Contracting State.

(2) any legal person, partnership or association deriving its status as such from the laws in force in that Contracting State.

(i) the term “business” includes also the performance of professional services and of other activities of an independent character.

(j) 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

(k) the term “competent authority” means:

(1) in the case of Bahrain, the Minister of Finance or his authorised representative

(2) in the case of the Czech Republic, the Minister of Finance or his authorised representative.

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 State for the purposes of the taxes to which the Convention applies.

any meaning of the term under the applicable tax laws of that State prevailing over a meaning given to the term under other laws of that State.

**Article (4)**

**Resident**

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

a) in the case of Bahrain, the Kingdom of Bahrain, any political subdivision or local authority and any statutory body thereof together with any person, who under the laws of Bahrain, is domiciled or resident in, or has its place of incorporation or management within the Kingdom of Bahrain.

b) in the case of the Czech Republic, any person who. under the laws of the Czech Republic, 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 Czech Republic and any political subdivision or local authority thereof. This term, however, does not include any person who is liable to tax in the Czech Republic in respect only of income from sources in the Czech Republic.

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 only 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 settle the question by mutual agreement.

3- Where by reason of the provisions of Paragraph (1) a person other than an individual is 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 especially:

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.

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

3- The term “permanent establishment” likewise encompasses:

a) a building site, a construction, assembly or installation project, a drilling rig or ship used for the exploration or development of natural resources, including supervisory activities in connection therewith, but only where such site, project or activities continue for a period of more than 138 days within any twelve month period.

b) the furnishing of services, including consultancy services, by an enterprise through employees or other personnel engaged by the enterprise for such purpose, but only where activities of that nature continue within the country for a period or periods aggregating more than 183 days within any twelve month period.

4- Notwithstanding any provisions of this Convention, an enterprise shall be deemed to have a permanent establishment in a Contracting State and to carry on business through that permanent establishment if in that State it is directly engaged in the exploration for or extraction of crude oil or other natural hydrocarbons from the ground in that State either on its own account or on account of others, or in refining crude oil owned by it or by others, wheresoever extracted, in its facilities in that State.

5- 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 or display.

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

(d) A fixed place of business is used solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character.

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

6- Notwithstanding the provisions of Paragraphs (1) and (2). where a person -other than an agent of an independent status to whom Paragraph (7) of this Article applies is acting in a Contracting State on behalf of an enterprise of the other Contracting State, that enterprise shall be deemed to have a permanent establishment in the first-mentioned Contracting State in respect of any activities which that person undertakes for the enterprise, if such a person:-

(a) has and habitually exercises in that State an authority to conclude contracts in the name of 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 or

(b) has no such authority, but habitually maintains in the first-mentioned State a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the enterprise.

7- 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. However, when the activities of such an agent are devoted wholly or almost wholly on behalf of that enterprise and other enterprises, which are controlled by it or have a controlling interest in it. he shall not be considered an agent of an independent status within the meaning of this paragraph.

8- 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 law of the Contracting State in which the property in question is situated. The term shall in any case include property 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) of this Article 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 Profits**

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 is attributable to:

2- Subject to the provisions of Paragraph (3) of this Article, 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 be 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) of this Article 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 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 And Air Transport**

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

2- If the place of effective management of a shipping is aboard a ship, 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 is a resident.

3- The provisions of Paragraph (1) of this Article 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) 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.

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 any gains which would, but for those conditions, have accrued to one of the enterprises, but. by reason of those conditions, have not so accrued, may be included in the gains of that enterprise and taxed accordingly.

**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- However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the recepient is the beneficial owner of the dividends being a resident of the other Contracting State, the tax so charged shall not exceed (5%) of the net value of the gains.

The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this condition.

The provisions of 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 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.

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 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 or the fixed headquarters. In such case the provisions of Article (7) shall apply.

5- 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 tax 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.The companies not being the distributors of dividends shall be subject to a tax imposed on such companies, 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 beneficially owned by a resident of the other Contracting State shall be taxable only in that other State.

2- The term “income from debt-claims” as used in this Article means income from claims for debt securities 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 from debt-claims for the purposes of this Article. The term “income from debt-claims" shall not include any item of income which is considered as a dividend under the provisions of Paragraph (3) of Article (10).

3- The provisions of Paragraph (1) of this Article shall not apply if the beneficial owner of the income from a debt-claim, being a resident of a Contracting State, carries on business in the other Contracting State in which the income from the debt-claim 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) of this Convention 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 from the debt-claim, 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 from the debt-claim is paid was incurred, and the income from the debt-claim is borne by such permanent establishment, then the income from the debt-claim 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- However, such royalties may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the beneficial owner of the royalties is a resident of the other Contracting State, the tax so charged shall not exceed (10%) of the gross amount of the royalties. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this condition.

3- 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 cinematograph films, and films or tapes for television or radio broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or any industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

4- The provisions of Paragraphs (1) and (2) of this Article 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 are paid is effectively connected with such permanent establishment. In such case the provisions of Article (7) shall apply.

5- Royalties shall be deemed to arise in a Contracting State when the payer is a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment, then such royalties shall be deemed to arise in the State 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 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, subject to the other provisions of this Convention.

**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 derived by a resident of a Contracting State from transfering ownership of shares or other interests in a company, which is a resident of the other Contracting State, maybe taxed in that other Contracting State.

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 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 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 State.

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

3- In the computation of the periods mentioned in sub-paragraph (a) of Paragraph (2), the following days shall be included:

a) all days of physical presence including days of arrivals and departures; and

b) days spent outside the State of activity such as weekends, national holidays, holidays, and business trips directly connected with the employment of the recipient in that State, after which the activity was resumed in the territory of that State.

4- The term “employer” mentioned in sub-paragraph (b) of Paragraph (2) means the person having right on the work produced and bearing the responsibility and risk connected with the performance of the work.

5- 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**

3- 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.

2-(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 business 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 Revenues**

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 ownership 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)**

**Methods for Elimination Of Double Taxation**

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

Where a resident of Bahrain derives income which, in accordance with the provisions of this Convention, may be taxed in the Czech Republic. Bahrain shall exempt such income from tax.

2- Subject to the provisions of the laws of the Czech Republic regarding the elimination of double taxation, in the case of a resident of the Czech Republic, double taxation shall be eliminated as follows:

The Czech Republic, when imposing taxes on its residents, may include in the tax base upon which such taxes are imposed the items of income which according to the provisions of this Convention may also be taxed in Bahrain, but shall allow as a deduction from the amount of tax computed on such a base an amount equal to the lax paid in Bahrain. Such deduction shall not, however, exceed that part of the Czech tax, when calculated prior to the deduction of the taxable income in Bahrain in accordance with the provisions of this Convention.

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

**Article (22)**

**Non - Discrimination**

1- Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any tax obligations that are different or more burdensome than the taxation and connected obligations to which nationals of that other State in the same circumstances, in particular with respect to residence taxes, 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 States.

2- 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 discounts, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

3- Except where the provisions of Article (9), paragraph (5) of Article (11), or Paragraph (6) 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.

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

**Article (23)**

**Mutual agreement procedure**

1- Where a person considers that the actions of one or both of the Contracting States 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 States, 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 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 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 Convention reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting States.

3- The competent authorities of the Contracting States 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 States 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.

**Article (24)**

**Exchange Of Information**

1- The competent authorities of the Contracting States shall exchange such information as is foreseeably 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 States, 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) of this Article be construed so as to impose on a Contracting State the following obligations:

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 agreements.

**Article (26)**

**Limitation On Benefits**

The competent authorities upon their mutual agreement, may deny the benefits of this Convention to any person, or with respect to any transaction undertaken by such a person, if in their opinion the main purpose of the creation or existence of such a person or of the transaction undertaken by that person, was to obtain benefits under this Convention which would not otherwise be available.

**Article (27)**

**Entry Into Force**

Each of the Contracting States shall notify to the other, through the diplomatic channels, the completion of the procedures required by its domestic law for the bringing into force of this Convention. This Convention shall enter into force on the date of the later of these notifications and its provisions shall have effect:

a- in respect of taxes withheld at source, to income paid or credited on or after 1st January in the calendar year following the year in which the Convention enters into force.

b- in respect of other taxes on income, to income in any taxable year beginning on or after 1st January in the calendar year following the year in which the Convention enters into force.

**Article (28)**

**Termination of the Convention**

This Convention shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Convention, through diplomatic channels, by giving written notice of termination at least six months before the end of any calendar year following the expiration of a period of five years from the date of its entry into force:

a- with regard to taxes withheld at source, in respect of amounts paid or credited on or after the first day of January of the calendar year following the year in which the notice is given.

b- in respect of other taxes on income, to income in any taxable year beginning on or after first January in the calendar year following the year in which the Convention enters into force.

Done in duplicate at Manama this 3rd day of February 2011 in the 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 Czech Republic**