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**Law No. (16) of 2012 ratifying the Convention Between the Government of The Kingdom of Bahrain and the Government of Georgia for The Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital**

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 Georgia for The Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital, signed in Manama on 12 July 2012.

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 Georgia for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital, signed in Manama on 18 July 2012 and attached to this law, has been ratified.

**Article two**

The Prime Minister and Ministers– each within his jurisdiction– shall implement the provisions of this law and it shall come into force on the day following its publication in the Official Gazette.

**King of the Kingdom of Bahrain**

**Hamad bin Isa Al Khalifa,**

Issued at Riffa Palace:

On: 20 Rabi' Al- Akhir 1433 A.H.

corresponding to: 13 March 2012

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

The Government of the Kingdom of Bahrain and the Government of Georgia, desiring to promote and strengthen the economic, cultural and scientific relations by concluding a Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on 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 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 Georgia:

(1) gain tax.

(2) income tax.

(3) property tax.

(hereinafter referred to as "Georgian tax").

4- This Convention shall apply also to any identical or substantially similar taxes that are imposed after the date of signature of this 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 that 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 its regional waters, seabed and subsoil over which Bahrain exercises, in accordance with international law, sovereign rights and jurisdiction.

b- the term "Georgia" means the territory defined by Georgian legislation, including land territory, its subsoil and the air space above it, regional waters and territorial sea, the sea bed, its sub-soil and the air space above them, in respect of which Georgia exercises its jurisdiction and sovereignty, as well as the contiguous zone, the exclusive economic zone and continental shelf adjacent to its territorial sea.

c- the terms “a Contracting State” and “the other Contracting State” mean Georgia or the Kingdom of Bahrain, as the context requires.

d- term "person" includes individuals, companies 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 States as a body corporate.

f- 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.

g- "international traffic” means any transport by a ship or aircraft operated by an enterprise which 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.

h– the term “competent authority” means:

1- in the case of Bahrain: the Minister for Finance or his authorised representative, or

2- in the case of Georgia: the Minister for Finance or his authorised representative.

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

1- any individual possessing the nationality of that Contracting State.

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

2- As regards the application of this 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 this Convention applies.

any meaning 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 , its local authorities, any statutory body thereof and any person who under the laws of Bahrain is domiciled or resident in, a national of, or having their place of incorporation or management within Bahrain.

(b) - in the case of Georgia any person who, under the laws of Georgia 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 Georgia and any political subdivision or local authority thereof.

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 or property situated therein.

2- Where by reason of the provisions of Paragraph (1) a person 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 endeavour to 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 in particular:

(a) A place of management

(b) A branch

(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) 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 more than (6) months.

4- Notwithstanding the provisions of this Article, 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, 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.

f- 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.

6- Notwithstanding the provisions of Paragraphs (1) and (2), where a person -other than an agent of an independent legal status to whom Paragraph (7) applies 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.

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.

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, 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 and to income from immovable property used for the performance of independent personal services.

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 is attributable to that permanent establishment.

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 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) 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) 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 gains 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 that enterprise and taxed 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 shall be taxable only 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, or performs in that other State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article (7) or Article (14) of this Convention 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. 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 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, or performs in the other State independent personal services from a fixed base situated therein and the debt-claim in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article (7) or Article (14) of this Convention shall apply.

4- Income 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 or a fixed base in connection with which the indebtedness on which the income is paid was incurred, and such income is borne by such permanent establishment or fixed base, then such income shall be deemed to arise in the State in which the permanent establishment or fixed base 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 paid to a resident of the other Contracting State may be taxed in that other State.

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 cinematograph films and films or tapes intended for radio or television broadcasting), any patent, trade mark, design or model, plan, secret formula or process, or for information (technical) concerning industrial, commercial or scientific experience.

3- The provisions of Paragraphs (1) 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, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article (7) or Article (14) of this Convention shall apply.

4- Royalties shall be deemed to arise in a Contracting State when the payer is a resident of the Contracting 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 or a fixed base in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in the State in which the permanent establishment or fixed base 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 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, due regard being had 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 or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such fixed base, 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،. shall be taxable only in the Contracting State of which the alienator is a resident.

Article (14)

Independent Personal Services

1- Income derived by an individual who is a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contacting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other State but only so much of it as is attributable to that fixed base.

2- The term ‘'professional services” includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article (15)

Income From Employment

1- Subject to the provisions of Articles (16), (18), (19) and (20) of this Convention, 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 there from may be taxed in that other State.

2- Notwithstanding the provisions of Paragraph (1) of this Article, 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.

b– 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, by an enterprise of a Contracting State, may be taxed in the Contracting State in which the place of effective management of the enterprise is situated.

Article (16)

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 of a company which is a resident of the other Contracting State may be taxed in that other State.

Article (17) Artists And Sportsmen 1- Notwithstanding the provisions of Articles (7), (14) and (15) of this Convention, 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 be 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), (14) and (15) of this Convention, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

3- Notwithstanding the preceding provisions of this Article, income derived by entertainers or sportsmen who are residents of a Contracting State from the activities exercised in the other Contacting State under a plan of cultural exchange between the Governments of both Contracting States shall be exempt from tax in that other State.

Article (18)

Pensions

Subject to the provisions of Paragraph (2) of Article (19), 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 (19)

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:

- is a national of that state، or

- 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-administrative 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 pension 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 (15), (16), (17), and (18) 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-administrative subdivision or a local authority thereof.

Article (20)

Students

1- 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.

2- Remuneration which a student or business apprentice who is or was immediately before visiting a Contracting State a resident of the other Contracting State derives from an employment which he exercises in the first-mentioned State for a period or periods not exceeding in the aggregate 183 days in the fiscal year concerned shall not be taxed in the first-mentioned State if the employment is directly related to his studies or apprenticeship carried out in that other State.

Article (21)

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) of this Convention, 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 or performs in that other State independent personal services from a fixed base situated therein and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article (7) or Article (14) of this Convention shall apply.

Article (22)

Capital

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

2- Capital represented by 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 or by movable property' pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, may be taxed in that other State.

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

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

Article (23)

Elimination Of Double Taxation

1- In Bahrain, there shall be allowed as a credit against Bahrain tax payable in respect of any item of income derived from Georgia the tax paid under the laws of Georgia and in accordance with this Convention. The credit shall not, however, exceed that part of the Bahrain tax, as computed before the credit is given, which is appropriate to such items of income.

2- Where a resident of Georgia derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in Bahrain, Georgia shall allow:

a- as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in Bahrain.

b- as a deduction from the tax on the capital of that resident, an amount equal to the capital tax paid in Bahrain.

Such deduction in either case shall not, however, exceed the sums of tax, which would have accrued according to the rules and interest rates on this income and capital effective in Georgia.

3- Where in accordance with any provision of the Convention income derived or capital owned by a resident of a Georgia shall be exempt from tax in Georgia, Georgia may nevertheless, take into account the exempted income or capital and calculate value of the tax on the remaining income or capital of such resident..

Article (24)

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, 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- Stateless persons who are residents of a Contracting State shall not be subjected in either Contracting State to any taxation or any tax obligations that are different or more burdensome than the taxation or tax obligations 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 discounts, 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 (5) of Article (11), or Paragraph (5) 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 (25)

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 (24), 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 this 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 this 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 (26)

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 thereunder 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), . Such persons or authorities 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 (27)

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 (28)

Amendments

Upon the mutual agreement of the Contracting States, amendments and additions may be introduced to this Convention, as separate Protocols and becoming integral parts of this Convention. These amendments shall enter into force subject to the provisions of Article (29) of this Convention.

Article (29)

Entry Into Force

1- Each of the Contracting States shall notify in written form the other through diplomatic channels of the completion of the procedures required by its law for the entry into force of this Convention.

2- This Convention shall enter into force on the first day of the third month following the receipt of latter notification from the Contracting States indicating the completion of the legal procedures necessary for the entry into force of this Convention. This Convention shall have effect in respect of taxes for any fiscal year beginning on or after first January in the calendar year following that year in which the Convention enters into force.

Article (30)

Termination

This Convention shall remain in force until terminated by a Contracting State. Either of the Contracting State may after the expiration of a period of 5 years from the date of its entry into force, terminate this Convention, by giving written notice of termination to the other Contracting State through the diplomatic channels at least six months before the expiration of each calendar year. In this calendar year following that yaer in which the notice of termination has been given.

In witness whereof the undersigned, duly authorized by their Governments, have signed this Convention.

Done in duplicate at Manama this 18th day of July 2011, in the Arabic, Georgian and English Languages, all three 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 Georgia