**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. (40) of 2011 ratifying the Convention Between the Government of The Kingdom of Bahrain and The Government of Republic of Seychelles for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital.**

We, Salman bin Hamad Al Khalifa Acting 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 Republic of Seychelles for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital, signed in Washington on 24 April 2010.

The Shura Council and the Council of Representatives have approved the following law, which we have ratified and enacted:

**Article one**

The Convention Between the Government of The Kingdom of Bahrain and The Government of Republic of Seychelles for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capita, signed in Washington on 24 April 2010, Attached to this law, has been ratified.

**Article two**

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

**Acting King of the Kingdom of Bahrain.**

**Salman bin Hamad Al Khalifa**

Issued at Riffa Palace:

On 16 Muharram 1433 A.H.

Corresponding to: 11 December 2011

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

The Government of the Kingdom of Bahrain and the Government of the Republic of Seychelles, Desiring to conclude 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-**

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

**Article -2-**

1) This Convention shall apply to taxes on income and on capital imposed on behalf of a Contracting State 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.

3) The existing taxes to which the Convention shall apply are in particular:

A. **in the case of Bahrain**:

income tax payable under Legislative Decree No. (22) of 1979 (The Oil Tax).

(hereinafter referred to as “Bahrain tax”).

B. in the case of the Republic of Seychelles:

- the business tax.

(hereinafter referred to as “Seychelles tax”).

4) This Convention shall also apply to any identical or substantially similar taxes, which 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, which have been made in the respective taxation laws within a reasonable period of time after such changes.

**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 maritime areas, seabed and subsoil over which Bahrain exercises, in accordance with international law, sovereign rights and jurisdiction.

**B. The term (Seychelles) means:**The territory of the Republic of Seychelles including its exclusive economic zone and continental shelf where Seychelles exercises sovereign rights and jurisdiction in conformity with the provisions of the United Nations Convention on the Law of the Sea.

**C. The terms "a Contracting State" and "the other Contracting State” mean:**The Kingdom of Bahrain or the Republic of Seychelles as the context requires.

**D. the term (person) includes:**An individual, a company, a body of persons and any other entity.

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

**I. 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 a Contracting State.

**J. The term “competent authority” means:**

1. I**n the case of Bahrain**: the Minister for Finance or his authorised representative.

2. In the case of the Republic of Seychelles: the Minister for Finance or his authorised representative.

**K. The term (business):**includes the performance of professional services and of other activities of an independent character.

**l. The term (tax) means:**Bahrain tax or Seychelles tax, as the context requires, but shall not include any amount which is payable in respect of any default or omission in relation to or in terms of any fine imposed relating to those taxes.

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.

**Article -4-**

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

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

**B. In the case of the Republic of Seychelles:**Any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature.

This term also includes the Contracting States and any administrative-territorial subdivisions or local authority, but does not include any person who is liable to tax in a Contracting State in respect only of income or capital gains 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 only 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 the status of the resident cannot be determined by reason of sub-paragraphs (a) to (c) in that sequence, the competent authorities of the Contracting States shall settle the question by mutual Convention.

3) Where by reason of the provisions of paragraph (1) a person other than any natural person being 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

C. An office

D. A factory

E. A workshop

F. a refinery

G. a sales outlet

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

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

J. a building site, a construction, installation or assembly project, or supervisory activities connected therewith, but only where such site, project or activities continue for a period of more than nine months.

3) Notwithstanding the 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 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.

4) Notwithstanding the provisions of paragraphs (1) and (2), where a person - other than an agent of an independent status to whom paragraph (5) 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 (3) 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.

5) 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.

6) Notwithstanding the provisions of paragraphs (4) and (5), an insurance enterprise of a Contracting State shall, except with regard to reinsurance, be deemed to have a permanent establishment in the other State if it collects premiums in that other State, or insures risks situated therein, through an agent established there - but not including an agent of an independent status mentioned in paragraph (5) unless he has, and habitually exercises, an authority to conclude contracts in the name of the enterprise.

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 property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general laws respecting land property apply, 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, boats and aircraft shall not be regarded as immovable property.

3) 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) of this Article shall also apply to the income from immovable property of an enterprise.

5) For the purposes of this Article, the term “agriculture” includes fish farming, processing, breeding and raising aquatic species including specifically prawns, crayfish, oysters and shellfish.

**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 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, the 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) For the purposes of this Article, gains from the operation of ships or aircraft in international traffic include:

A. gains derived from the lease by the enterprise of ships or aircraft on charter fully equipped, manned and supplied.

B. gains derived from the lease by the enterprise on a bare boat charter basis of ships or aircraft used in international traffic where such lease is ancillary to the transportation of passengers or cargo.

C. gains derived from the lease of containers by the enterprise where such lease is ancillary to the transportation of cargo.

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

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

**Article -9-**

**Associated Enterprises**

1) Where:-

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

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 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) Where a Contracting State includes, in accordance with the provisions of paragraph (1), in the gains of an enterprise of that State - and taxes accordingly - gains on which an enterprise of the other Contracting State has been charged to tax in that other State and where the competent authorities of the Contracting State agree, upon consultation, that all or part of the gains so included are gains which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those agreed gains. In determining such adjustment, due regard shall be had to the other provisions of this Convention.

**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

**Article -11-**

**Income From Debt-Claims**

1) Income from debt-claims 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 “income from debt-claims” or “income” as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor’s gains, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. Penalty charges for late payment shall not be regarded as interest 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 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 Contracting 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 they arise 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 5% of the gross amount of the royalties.

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 computer software, cinematograph films, or films or tapes or discs used for radio or television broadcasting), any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

4) The provisions of paragraphs (1) and (2) 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) 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 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 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 derived by an enterprise of a Contracting State 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 that State.

4) Gains from the alienation of any property other than that referred to in the preceding paragraphs 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) 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 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 the calendar year concerned.

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 or a fixed base, which the employer has in the other State.

3) Notwithstanding the preceding paragraphs of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft in international traffic, may be taxed in the Contracting State of which the enterprise operating the ship or aircraft is a resident.

**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 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), (13) 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 sports person, 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 sports person in his capacity as such accrues not to the entertainer or sports person himself but to another person, that income may, notwithstanding the provisions of Articles (7) and (14) of this Convention, be taxed in the Contracting State in which the activities of the entertainer or sports person are exercised.

3) Income derived by an entertainer or a sports person from activities exercised in a Contracting State shall be exempt from tax in that State, if the visit to that State is supported wholly or mainly by public funds of the other Contracting State or a local authority thereof, or takes place under a cultural agreement or arrangement between the Governments of the Contracting States.

**Article -17-**

**Pensions**

1) 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.

2) Notwithstanding the provisions of paragraph (1) of this Article, pensions and other similar payments made under the social security system of a Contracting State, shall be taxable only in that State.

**Article -18-**

**Government Services**

1)

A. Salaries, wages and other similar remunerations, other than a pension, paid by a Contracting State or a political subdivision, a local authority or a statutory body thereof to an individual in respect of services rendered to that State or subdivision, authority or body shall be taxable only in that State.

B. However, such salaries, wages and other similar remunerations shall be taxable only in the other Contracting State if the services are rendered in that State and the person is a resident of that State provided that he:

1) is a national of that state.

2) does not become a resident of that State solely for the purpose of rendering the services.

2)

A. Any pension paid by, or out of funds created by, a Contracting State or a political subdivision, a local authority or a statutory body thereof to an individual in respect of services rendered to that State or subdivision, authority or body shall be taxable only in that State.

B. However, such pension 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 (16), (17), (18) and (19) of this Convention shall apply to salaries, wages and other similar remunerations, and to pensions, in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision, a local authority or a statutory body thereof.

**Article -19-**

**Professors And Teachers**

1) A professor or teacher who is or was a resident of a Contracting State immediately before visiting the other Contracting State for the purpose of teaching or engaging in research, or both, at an approved university, college or school or other approved educational or scientific research institution in that other Contracting State shall be exempt from tax in that other Contracting State on any remuneration for such teaching or research for a period not exceeding two years from the date of his arrival in that other Contracting State.

2) This Article shall not apply to income from research if such research is undertaken primarily for the private benefit of a specific person or persons.

3) The term “approved” in paragraph (1) of this Article means an approval given by the Contracting State in which the university, college, school or institution is situated.

**Article -20-**

**Students And Trainees**

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 maintenance, education or training shall not be taxed in that State, provided that such payments arise from sources outside that 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 paragraphs (2) and (5) 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.

3) Notwithstanding the provisions of paragraphs (1) and (2) of this Article, items of income of a resident of a Contracting State not dealt with in the foregoing articles of the Convention and arising in the other Contracting State may also be taxed in that other State.

**Article -22-**

**Elimination Of Double Taxation**

1) Where a resident of a Contracting State derives income which, in accordance with the provisions of this Convention, may be taxed in the other Contracting State, the first mentioned State shall allow, as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in that other State. Such deduction in either case shall not, however, exceed that part of the income tax, as computed before the deduction is given, which is attributable, as the case may be, to the income which may be taxed in that other State.

2) The tax payable in a Contracting State mentioned in paragraph (1) of this Article shall be deemed to include the tax which would have been payable but for the tax incentives granted under the laws of that Contracting State and which are designed to promote economic development.

**Article -23-**

**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.

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 than the taxation levied on enterprises of that other State carrying on the same activities.

3) Except where the provisions of paragraph (1) of Article (9), paragraph (7) of Article (11), or paragraph (6) of Article (12) of this Convention apply, income from debt- claims, royalties, technical fees 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) 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.

5) Nothing contained in this Article shall be construed as obliging either Contracting State to grant to individuals not resident in that State any of the personal allowances, reliefs and reductions for tax purposes which are granted to its own individuals residing therein.

6) The provisions of this Article shall apply to the taxes which are the subject of this Convention.

**Article -24-**

**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 (23), to that of the Contracting State of which he is a national. The case shall be presented within two 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.

4) The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs.

**Article -25-**

**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), 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) of this Article 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 -26-**

**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 -27-**

**Entry Into Force of the Convention**

Each of the Contracting States shall notify the other Contracting State of the completion of the procedures required by its 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 shall thereupon have effect:

**A. in the case of Bahrain:**

1) with regard to taxes withheld at source, in respect of amounts paid or credited on or after the first day of January in the Gregorian year following the date on which the Convention enters into force.

2) with regard to other taxes, in respect of taxable years beginning on or after the first day of January following the date on which the Convention enters into force.

**B. in the case of the Republic of Seychelles:**

1) with regard to taxes withheld at source, in respect of amounts paid or credited on or after the first day of January in the Gregorian year following the date on which the Convention enters into force.

2) with regard to other taxes, in respect of taxable years beginning on or after the first day of January following the date on 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 this Convention, through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year after the expiration of a period of five Gregorian years from the date of its entry into force.

**A. in the case of Bahrain:**

1) with regard to taxes withheld at source, in respect of amounts paid or credited following the Gregorian Calender in which the notification was submitted.

2) with regard to other taxes, in respect of taxable years beginning after the end of the Gregorian year in which the notification was submitted.

**B. in the case of the Republic of Seychelles:**

1) with regard to taxes withheld at source, in respect of amounts paid or credited following the Gregorian Calender in which the notification was submitted.

2) with regard to other taxes, in respect of taxable years beginning after the end of the Gregorian year in which the notification was submitted.

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

Done in duplicate at Washington DC on 24 April 2010, in the Arabic and English languages, both texts being equally authentic. In case of divergence in interpretation the English text shall prevail.

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

**For the Government of The Republic of Seychelles**