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**Law No. (4) of 2005 ratifying the Convention Between the Government of the Kingdom of Bahrain and the Government of the Republic of Lebanon 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,

The Convention Between the Government of the Kingdom of Bahrain and the Government of the Republic of Lebanon for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, signed in Beirut on 9 Jumada al-Akhir 1424 A.H. corresponding to 7 August 2003;

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 Republic of Lebanon for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed in Beirut on 9 Jumada al-Akhir 1424 A.H. corresponding to 7 August 2003, attached to this law, has been ratified.

**Article Two**

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

**King of Kingdom of Bahrain**

**Hamad bin Isa Al Khalifa**

Issued in Riffa Palace:

On: 2 Rabi' al-Akhir 1426 A.H.

Corresponding to: 10 May 2005

**Convention:**

**Between**

**Kingdom of Bahrain and The Government of the Republic of Lebanon 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 Republic of Lebanon, desiring to conclude a Convention for the avoidance of double taxation with respect to taxes on income, have agreed as follows:

**Article One**

**Personal Scope**

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

**Article Two**

**Taxes covered by the Convention**

1- This Convention shall apply to taxes on income imposed by a Contracting State or by its administrative 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 on gains from the disposal of movable and immovable properties and taxes on the total amounts of wages or salaries paid by enterprises.

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

a- For the Kingdom of Bahrain: Any income tax imposed in the Kingdom of Bahrain after the date of signing this Convention (excluding the income tax imposed on oil companies under Legislative Decree No. (22) of 1979). (hereinafter referred to as Bahraini tax).

b- For the Republic of Lebanon:

(1) Tax on gains from industrial, commercial and non-commercial professions;

(2) Tax on salaries, wages, and retirement pensions;

(3) Tax on income from movable capital;

(4) Tax on built properties. (hereinafter referred to as Lebansese tax).

4- The Convention shall apply as well 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 of any substantial changes that have been made in their tax laws.

**Article Three**

**General Definitions**

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

a- The term "Bahrain" refers to the Kingdom of Bahrain. When used in a geographical sense, it shall refer to: The lands of the Kingdom of Bahrain, as well as the maritime areas, sea beds and the land beneath them over which the Kingdom of Bahrain exercises sovereignty and judicial jurisdiction in accordance with international law. The term "Lebanon" shall mean the lands of the Republic of Lebanon, including its territorial waters and its exclusive economic zone over which the Republic of Lebanon exercises its sovereignty, sovereign rights and jurisdiction in accordance with its internal law and international law, particularly with regard to the exploration of natural, biological and mineral resources in the waters of the sea, sea beds, and the subsoil beneath these waters, and their exploitation.

b- The terms “a Contracting State” and “the other Contracting State” shall refer to Bahrain or Lebanon, as the context requires.

c- The term "person" shall refer to individuals, companies, and all other authorities that are treated as taxable units according to the tax laws applicable in either of the Contracting States.

d- The term "company" shall refer to any entity with legal personality or any unit treated for tax purposes as having legal personality.

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

f- The term “international transport” shall mean: 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.

g- The term "competent authority” shall refer to:

The Minister of Finance and National Economy or his legal representative for the Kingdom of Bahrain.

The Minister of Finance or his legal representative for the Republic of Lebanon.

h- The term "citizen" shall refer to:

(1) For the Kingdom of Bahrain:

Any individual possessing the nationality of the Kingdom of Bahrain.

Any legal person or any company considered as such according to the prevailing law in the Kingdom of Bahrain.

(2) For the Republic of Lebanon, any individual possessing the Lebanese nationality (holding a Lebanese passport or a Lebanese ID), and any legal person, any entity of individuals and any other entity that derives its legal status as such from the applicable laws in Lebanon.

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 Four**

**Resident**

1- For the purposes of this Convention, the term "resident of a Contracting State" shall refer to any person subject, according to the laws of that state, to taxes imposed therein by virtue of their domicile, residence, place of abode, management centre, or any similar criterion. This term, however, does not include any person who is liable to tax in that State in respect of income from sources in that State.

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 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- In the event that, according to the provisions of paragraph (1), there is another person other than natural persons resident in either of the Contracting States, their residence shall be determined as follows:

a- They shall be deemed a resident in the Contracting State to which they are nationals.

b- If they do not hold nationality of either of the Contracting States, they shall be deemed a resident in the Contracting State in which their actual management centre is located.

4- In the event that, according to the provisions of paragraph (1), there is another person other than individuals or companies resident in both Contracting States, the competent authorities of both Contracting States shall jointly devise a solution for the matter through mutual agreement, outlining the method of applying the Convention to such a person.

**Article Five**

**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” shall especially include:

a- A place of management.

b- A branch.

c- Places used as sales outlet.

d- Office.

e- Factory.

f- Workshop.

g- Mine, an oil or gas well, a quarry or any other place of extraction of natural resources.

h- The farm or plantation or any cultivated land.

i- The construction site or installation or assembly establishment or facilities establishment that exists for a period exceeding, in aggregate, six months during a twelve-month period.

j- Provision of services, including consultancy services provided by an enterprise through its employees or other individuals, if such activities continue for a period exceeding, in aggregate, nine months during a twelve-month period.

3- Notwithstanding the preceding provisions of this Article, the term “permanent establishment” shall be deemed not to include:

a- Utilization of special facilities for the purpose of storing goods or commodities owned by the enterprise or retaining them solely for display purposes.

b- Retention of goods or commodities owned by the enterprise solely for the purpose of operating them for its own account, with the knowledge of another enterprise.

c- Maintenance of a fixed place of business for purchasing goods or commodities or collecting information for the enterprise.

d- Maintenance of a fixed place of business solely for providing information or conducting scientific research or similar activities, of a preparatory or auxiliary character for the enterprise.

e- Maintenance of a fixed place solely for the purpose of conducting any other activity of a preparatory or auxiliary character for the enterprise.

f- Maintenance of a fixed place of business solely for engaging in any combination of the activities referred to in paragraphs "a" to "e," provided that the overall activity of the fixed place of business resulting from the aggregate of these activities is of a preparatory or auxiliary character.

4- Notwithstanding the provisions of subparagraphs (a) and (b) of the paragraph (3) above, where a person - other than an agent of an independent legal status to whom Paragraph (6) herein under 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 Contracting 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- As an exception to the foregoing provisions of this Article, an insurance enterprise of a Contracting State, except with regard to reinsurance, shall be deemed to have a permanent establishment in the other Contracting State if the enterprise collects premiums in that other Contracting State or insures risks situated therein through a person other than an independent agent.

6- An enterprise of a Contracting State shall not be deemed to have a permanent establishment in the other Contracting State simply because it carries on business in that other Contracting State through a broker, general commission agent or any other agent of independent status, provided that such person acts within the ordinary course of their profession. However, if such person conducts their activities wholly or partly on behalf of the enterprise, he shall not be considered an independent agent for the purposes of this paragraph.

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 Six**

**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 Contracting 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 special laws with respect to property ownership and rights to variable or fixed payments in consideration for the exploitation or privilege of exploiting mineral resources, sources, and other natural resources. Ships, boats, and aircraft shall not be considered as immovable property.

3- The provisions of Paragraph (1) of this Article shall apply to income derived from the direct utilization of immovable property, or from its lease, or from any other form of utilization.

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 Seven**

**Commercial and Industrial 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 Contracting State but only so much of them as is attributable to the permanent establishment.

2- In accordance with the provisions of the third paragraph 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 separate enterprise practising the same activity or similar activities under the same conditions or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

3- When determining the gains of a permanent establishment located in the other Contracting State, deductions for expenses incurred by this permanent establishment shall be allowed, including executive and general administrative expenses, whether incurred in that Contracting State or elsewhere. These deductions shall be determined in accordance with the local law. 4- However, such deductions shall not be allowed for amounts, if any, previously paid (except for amounts paid to compensate for expenses actually due) by the permanent establishment to the head office of the enterprise or to any of its offices in the form of royalties, bonuses, or any similar payments in return for the use of patents or any other rights, or in the form of fees for specific services rendered or for management activities, except in the case of a banking institution in the form of interest on funds previously lent to the permanent establishment.

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- 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.

7- 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.

8- 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 Eight**

**Maritime, Air and Land Transportation**

1- As an exemption from the provisions of Article Two of this Convention, gains arising from the utilization of ships, aircraft, vehicles, or railways in international transportation, including gains arising from operations related to this activity, shall not be subject to tax except in the Contracting State in which the actual management centre of the enterprise is located.

2- If the actual management centre of a maritime enterprise is located on board a ship or boat, this location shall be considered situated in the Contracting State in which the port of registry of the ship or boat is located. If there is no port of registry, then it shall be considered situated in the Contracting State in which the operator of the ship or boat resides.

3- The provisions of paragraph (1) of this Article shall apply to gains generated from participation in a (pool), joint operation, or international organization for the operation of ships or aircraft in international transportation.

**Article Nine**

**Common institutions**

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a- If an enterprise of one of the Contracting States directly or indirectly contributes to the capital of an enterprise of the other Contracting State, or participates in its management or supervision.

b- If the same persons contribute directly or indirectly in the management, supervision or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State. 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 the enterprise and be taxable accordingly.

2- If the gains of an enterprise of one of the Contracting States and subject to taxation in that Contracting State include gains attributable to an enterprise of the other Contracting State and subject to taxation in that other Contracting State, and if the gains attributable to that other enterprise are considered gains realized by the enterprise affiliated with the first-mentioned Contracting State. If the circumstances between these two enterprises are similar to the circumstances between independent enterprises, then in such a case, the other Contracting State shall make appropriate adjustments to the tax that would have been due on those gains. In making this adjustment, the other provisions of this Convention shall be applied. However, consultations shall be held between the competent authorities of the Contracting States, as necessary, regarding this matter.

**Article Ten**

**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 only.

2- The term "dividends" as used in this Article means income from shares, jouissance shares or jouissance rights, mining shares, founders' shares or any other rights participating in gains excluding receivables and income subject to the same tax treatment as income derived from shares under the tax legislation of the Contracting State in which the distributing company is 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 or engages in an independent personal services activity through a permanent establishment situated in the other Contracting State in which the company paying the dividends is resident, through a permanent establishment in that other Contracting State from which the services are performed, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or permanent establishment. In such case, the provisions of Article (7) or Article (14) shall apply.

**Article Eleven**

**Benefits**

1- Income from interest in a Contracting State paid to a resident of the other Contracting State shall be taxable only in that other State.

2- The term "interest" in this Article shall refer to income from debt claims of every kind, whether or not secured by or carrying a right to participate in gains, and in particular, income from government securities and income from bonds or securities, including premiums and prizes attaching to such securities, bonds or securities. Penalties imposed due to late payment shall not be considered as interest for the purposes of this Article.

3- Notwithstanding the provisions of paragraph (1) of this Article, interest arising in a Contracting State shall be exempted from tax in that State if it is effectively connected with the government of the other Contracting State, a local authority, a regional administrative unit emanating therefrom, or any agency or financial institution owned wholly by that government, local authority, or regional administrative unit, or if the debt claim giving rise to the interest is secured or guaranteed by such a government, local authority, or regional administrative unit, or is directly or indirectly funded by a financial institution wholly owned by the government of the other Contracting State.

4- The provisions of paragraph (1) shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises through a permanent establishment situated therein, or performs independent personal services from a fixed base situated therein, and the debt claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article “7” or Article “14”, as the case may be, shall apply.

5- These interests shall be deemed to arise in one of the Contracting States when the payer is that Contracting State itself, a political subdivision thereof, a local authority, or a resident of that Contracting State. However, if the person paying the interest, whether a resident or not of one of the Contracting States, has a permanent establishment or a fixed base in one of the Contracting States with which the indebtedness giving rise to the paid interest is effectively connected, and that permanent establishment or fixed base bears such interest, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.

6- If the amount of interest, by reason of a special relationship between the payer and the beneficial owner or between both of them and any other person, exceeds the amount that would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, then 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 law of each Contracting State and to the other provisions of this Convention.

**Article Twelve**

**Royalties**

1- Royalties arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State.

2- The term "royalties" as used in this Article means payments of any kind received as consideration for the use, or the right to use, any copyright of literary, artistic, or scientific work, including cinematographic films, for radio or television broadcasting, for transmission by satellite, cable, fibre optics or similar technology for broadcasting to the public, for any patent, trademark, design or model, plan, secret formula or process, or for the use, or the right to use, any industrial, commercial, or scientific equipment, or for information concerning industrial, commercial, or scientific experience.

3- The provisions of paragraph (1) of this Article shall not apply if the beneficial owner of these royalties, being a resident of one of the Contracting States, carries on business in the other Contracting State in which the royalties arise, either through a permanent establishment situated therein or performs independent personal services from a fixed base situated therein, and the rights or property giving rise to these royalties are effectively connected with such permanent establishment or fixed base. In such a case, the provisions of Article (7) or Article (14), as the case may be, shall apply.

4- The royalties shall be deemed to have arisen in a Contracting State if the payer is that Contracting State itself, a political subdivision thereof, a local authority or a resident of that Contracting State. However, if the person paying the royalties, whether resident or not in the Contracting State, has a permanent establishment or a fixed base in the Contracting State with which the right or property giving rise to the royalties is effectively connected, and such permanent establishment or fixed base bears the royalties, then these royalties shall be deemed to arise in the Contracting 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 Thirteen**

**Capital Gains**

1- Gains derived by a resident of a Contracting State from the disposal of immovable property referred to in Article (6) and situated in the other Contracting State shall be taxable only in that other Contracting State.

2- Gains arising 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 from the alienation 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 gains from the alienation of such permanent establishment (alone or with the entire enterprise) or of such fixed base, may be taxed in that other Contracting 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 derived from the alienation of shares in the capital of a company, the property of which consists directly or indirectly principally of immovable property situated in one of the Contracting States, may be taxable in that Contracting State.

5- Gains arising from the alienation of any property other than that referred to in the paragraphs (4) of this Article, may be taxable only in the Contracting State of which the alienator is a resident.

**Article Fourteen**

**Independent Personal Services**

1- Income derived by a resident of one of the Contracting States from professional services or other independent activities of a similar nature shall be taxable only in that Contracting State, unless such income is derived from services rendered or activities performed within the other Contracting State under the conditions outlined below:

a- If the person has a fixed base regularly available to them for the purpose of performing their activities in the other Contracting State, but only to the extent of the income derived from activities carried out in that other Contracting State.

b- Or if the person is present in that other Contracting State for a period or periods exceeding in the aggregate (183) days in the relevant tax year, and only to the extent of the services performed in that other Contracting State.

2- The term "professional services" notably includes independent scientific, literary, artistic, educational and teaching activities, as well as independent activities of doctors, lawyers, engineers, architects, dentists and accountants.

**Article Fifteen**

**Dependent Personal Services**

1- Without prejudice to the provisions of Articles (, 16, 17, 18), salaries, wages, and other similar remuneration derived by a resident of one of the Contracting States from an occupation shall be taxable only in that Contracting State, unless the occupation is exercised in the other Contracting State. If the occupation is exercised in this manner, the remuneration derived from it shall be taxable only in that other Contracting State.

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

a- The recipient of the income 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 foregoing provisions of this Article, remuneration derived from an occupation exercised aboard a ship or aircraft operated in international traffic may be taxed in the Contracting State in which the effective management of the enterprise is situated.

**Article Sixteen**

**Remuneration of Members of the Board of Directors**

Remuneration of members of the Board of Directors and other similar remuneration received by a resident of one of the Contracting States as a member of the Board of Directors or a similar body in a company resident in the other Contracting State shall be taxed in that other Contracting State.

**Article Seventeen**

**Pensions and Life Annuities**

1- Pensions and life annuities 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 term "life annuities" refers to a specific amount paid periodically at predetermined intervals or during a specific period, according to an obligation to pay the equivalent of all these instalments in a single sum in cash or in a form that is convertible into cash.

**Article Eighteen**

**Income of Artists and Sportsmen**

1- As an exception to the provisions of Articles (7), (14) and (15) 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 the other Contracting State.

2- If income in respect of personal activities exercised by an artist or a sportsman in his capacity as such accrues not to the artist or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles (7), (14) and (15), be taxed in the Contracting State in which the activities of the artists or sportsman are exercised.

3- Income derived by an individual who is a national of a Contracting State from engaging in temporary artistic or athletic activities in the other Contracting State shall be exempted from the tax imposed therein if such engagement is based on an agreement between the two Contracting States or if the major portion of the expenses incurred is financed by the other Contracting State or one of its public authorities, political subdivisions, or local authorities.

**Article Nineteen**

**Government Services**

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a- Remuneration other than pensions paid by one of the Contracting States or one of its political subdivisions or local authorities to any individual in consideration for services rendered to that Contracting State or to one of its political subdivisions or local authorities shall be taxable only in that Contracting State.

b- Such remuneration shall be taxable only in the other Contracting State if the services were performed in that Contracting State, the individual was a resident of that Contracting State, and among its citizens, and did not become a resident solely for the purpose of rendering the services.

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a- Any retirement pension paid directly or from funds established by a Contracting State, or a local authority thereof, or a regional administrative unit thereof, to an individual in respect of services rendered to that State or authority or unit shall be taxable only in that State.

b- However, this retirement pension shall be taxable only in the other Contracting State if the individual is a resident thereof and a citizen thereof.

3- The provisions of Articles (15), (16) and (17) shall apply to rewards and pensions in consideration of services rendered related to commercial or industrial activities carried out by a Contracting State or one of its political subdivisions or local authorities in the same Contracting State.

**Article Twenty**

**Amounts received by Students And Apprentices**

1- A resident of a Contracting State who is temporarily present in the other Contracting State solely for the purpose of:

a- Being a student at a university, college or school in the other Contracting State, or

b- Being an apprentice in trade or industry, or an apprentice in a technical field, or

c- Receiving a scholarship, grant or award for the purpose of study or research from a religious, charitable, scientific, or educational organization. Shall not be subject to tax in the other Contracting State with respect to the scholarship.

2- The same rule shall apply to any amount representing rewards received by an individual in consideration of services rendered in the other Contracting State, provided that such services are related to his studies or training and are necessary to cover his living expenses.

**Article Twenty One**

**Professors, Teachers and Researchers**

1- If a resident of one of the Contracting States is invited by a university, college or institution of higher education or scientific research in the other Contracting State for the sole purpose of visiting for teaching or scientific research, he shall not be subject to tax in that other Contracting State with respect to remuneration for such teaching or research.

2- The provisions of paragraph (1) shall not apply to remuneration received in exchange for research conducted not for the public interest but primarily for the private benefit of a specific person or persons.

**Article Twenty Two**

**Other Income**

1- Without prejudice to the provisions of paragraph (2), elements of income of a resident of a Contracting State not addressed in the preceding articles of this Convention shall be subject to tax only in that Contracting State, regardless of where these elements are realized.

2- However, if such income is derived by a resident of a Contracting State from sources within the other Contracting State, this income shall also be subject to tax in the Contracting State in which it arose, in accordance with the laws of that Contracting State.

**Article Twenty Three**

**Methods for Avoidance of Double Taxation**

1- If a resident of a Contracting State derives income from sources within the other Contracting State, and that income is subject to tax in the latter Contracting State according to the provisions of this Convention, the first-mentioned Contracting State shall allow a deduction from the tax on the income payable in that first-mentioned Contracting State, equal to the tax paid in the other Contracting State on the same income. However, the amount of the deduction shall not exceed the amount of tax that would be payable on the income derived from sources within the other Contracting State before the deduction is made.

2- If income derived by a resident of one of the Contracting States is exempted from tax in that Contracting State according to the provisions of this Convention and is subject to tax in the other Contracting State, then when calculating the tax on the remaining income of the resident in the first-mentioned Contracting State, that Contracting State shall take into account the exempted income as if the tax rate applicable had been applied, had there been no such exemption.

3- For the purposes of applying paragraphs (1) and (2) of this Article, income derived by a resident of a Contracting State, which is subject to tax in the other Contracting State according to the provisions of this Convention, shall be deemed to have arisen from sources within that other Contracting State.

4- If the profits of an enterprise of a Contracting State are subject to tax in that Contracting State, and these profits are also included in the profits of an enterprise of the other Contracting State, and these profits would have been attributed to the latter enterprise if the relationship between the two enterprises were the same as between independent enterprises, then the portion of the profits included in the profits of each of the enterprises shall, for the purposes of this Article, be treated as income derived from sources within the other Contracting State with respect to the enterprise of the first-mentioned Contracting State, and the deduction provided for in paragraphs (1) and (2) of this Article shall be granted on this basis.

**Article Twenty Four**

**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 are or may be subjected. As an exception to the provisions of paragraph (1), these provisions shall apply to individuals who are not residents of either of the Contracting States or both of them.

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 permanent establishment owned by an enterprise of a Contracting State and situated in the other Contracting State shall not be subject to taxes imposed in that other Contracting State that are more burdensome than the taxes imposed on similar enterprise of that other Contracting State carrying out the same activities. The provisions of this Article shall not be interpreted as obliging a Contracting State to grant residents of the other Contracting State any personal deductions, exemptions, or reductions for the purposes of imposing tax due to their civil status or family responsibilities granted to residents of its own.

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- Except where the provisions of Article (9), paragraph (7) of Article “11”, or paragraph (6) of Article (12) apply, the interest, dividends, and other payments made by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits and the income of this enterprise, be deductible under the same circumstances as if they were paid to a resident of the first-mentioned State. Similarly, any debts of an enterprise of a Contracting State owed to a resident of the other Contracting State shall, for the purpose of determining the taxable capital of this enterprise, be deductible under the same circumstances as if they had been incurred for a resident of the first-mentioned State.

**Article Twenty Five**

**Diplomatic and Consular Representation Missions**

Nothing in this Convention shall affect the tax privileges of members of diplomatic and consular representation missions or to members of permanent delegations to international organizations under the general rules of international law or under the provisions of special Conventions.

**Article Twenty Six**

**Mutual Agreement Procedure**

1- If a person finds that the measures taken by one of the Contracting States or both of them will result or are likely to result in his being subject to tax - contrary to the provisions of this Convention - notwithstanding any remedies provided by the domestic laws of either State, he may present his case to the competent authority of the Contracting State in which he resides. If his case falls within the scope of paragraph (1) of Article (24), he may present his case to the competent authority of the Contracting State of which he is a national within three years from the date of the first notification of the action resulting in taxation not in accordance with the provisions of this Convention.

2- If the competent authority determines that the objection is justified and has been unable to arrive at an appropriate solution, it shall seek to settle the matter through mutual agreement with the competent authority of the other Contracting State, with the aim of avoiding taxes that contravene the provisions of this Convention. Any agreement reached shall be applied regardless of any provisions regarding the lapse of time contained in the domestic laws 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- It shall not be permissible for either of the Contracting States, after the expiry of the period specified in its internal laws, to increase the tax base for a resident in either of the Contracting States by adding items of income to it that have been subjected to tax in the other Contracting State.

5- The competent authorities of the Contracting States shall mutually agree on the methods of implementing this Convention, especially the obligations to which residents of a Contracting State are subject in order to enjoy the exemptions and tax benefits existing in the other Contracting State in accordance with the Convention.

**Article Twenty Seven**

**Exchange of Information**

1- The competent authorities of the Contracting States shall exchange necessary information, whether to implement the provisions of this Convention or to enforce tax laws referred to in Article Two of this Convention, as well as the information required to combat tax evasion. Any information obtained by the competent authority of a Contracting State in the application of the provisions of this Article shall be confidential and shall only be disclosed to individuals and authorities involved in the assessment and collection of taxes referred to in this Convention or in resolving related disputes.

2- Under no circumstances shall the provisions of paragraph (1) be interpreted as imposing on a Contracting State the obligation:

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

b- To provide information that cannot be obtained under the laws or administrative practice of that State or the other Contracting State.

c- To provide information that reveals any trade, industrial, professional, production methods, or information that would be contrary to public policy.

**Article Twenty Eight**

**Miscellaneous Provisions**

1- The application of the provisions of this Convention shall not result in any violation of the tax laws of each of the Contracting States concerning tax evasion combating provisions or regarding taxes imposed on the income of individuals and resulting from their contribution to companies established in either of the Contracting States.

2- The application of the provisions of this Convention shall not result in any violation of any exemptions, reductions, exceptions, or deductions provided for in the tax laws of any Contracting State or in any agreement to which it is a party, either currently or in the future.

**Article Twenty Nine**

**Entry Into Force of the Convention**

Each Contracting State shall notify the other Contracting State of the completion of the constitutional and legal procedures required for the ratification of the Convention and the enactment of its provisions into law. The Convention shall enter into force thirty days after the date of receipt of the last notification. Its provisions shall apply in both Contracting States as follows:

a- Regarding taxes withheld at source: It shall apply to amounts paid or credited to the account from January first of the Gregorian year following the year in which this Convention enters into force.

b- Regarding other taxes imposed on income: It shall apply to tax years beginning from January first of the Gregorian year following the year in which this Convention enters into force.

**Article Thirty**

**Termination of the Convention**

This Convention shall remain in force indefinitely. However, any Contracting State may - until June 30 of each Gregorian year - notify the other Contracting State in writing and through diplomatic channels of its desire to terminate the Convention.

In this case, the operation of the Convention shall cease as follows:

a- Regarding taxes withheld at source: It shall not apply to amounts paid or credited to the account from January first of the Gregorian year following the year in which the notification is given.

b- Regarding other taxes imposed on income: It shall not apply to tax years beginning from January first of the Gregorian year following the year in which the notification is given.

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

This Convention has been drafted in Beirut in two original copies in the Arabic language on 9 Jumada al-Akhir 1424 A.H., corresponding to 7 August 2003, in the Arabic language, and each copy shall be considered an original.

**For the government of**

**The Kingdom of Bahrain**

**Abdulla Bin Hassan Saif**

**Minister of Finance and National Economy**

**For the government of**

**Republic of Lebanon**

**Fouad Siniora**

**Minister of Finance**