**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. (6) of 2004 on ratifying the Convention Between the Government of The Kingdom of Bahrain and The Government of Republic of Yemen for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes Imposed on Income and on Capital**

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

Having reviewed the Constitution;

And the Convention Between the Government of The Kingdom of Bahrain and The Government of Republic of Yemen for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital, signed in Manama City on 24 Shawwal 1423 A.H., corresponding to 28 December 2002,

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 Yemen for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital, signed in Manama City on 24 Shawwal 1423 A.H., corresponding to 28 December 2002, Attached to this law, has been ratified.

**-Article Two-**

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

**King of Kingdom of Bahrain**

**Hamad bin Isa Al Khalifa**

**Issued in Riffa Palace:**

**On 14 Rabi Al-Akhar 1425 A.H.**

**Corresponding to 2 June 2004**

**Convention Between the Government of the Kingdom of Bahrain and the Government of Republic of Yemen 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 the Republic of Yemen Desiring to conclude a Convention for the Avoidance of double taxation with respect to taxes on income and on capital, Have agreed upon the following provisions:

**Article One**

**Persons Covered**

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

**Article Two**

**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 and 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: Any income tax imposed in the Kingdom of Bahrain after the date of signature of this Convention (This does not include income tax imposed on oil companies under Legislative Decree No. 22 of 1979). Hereinafter referred to as “Bahrain tax”.

(b) In the case of the Republic of Yemen.

(1) The property tax (which includes tax on real estate rent and tax on real estate sales).

(2) The Commercial and industrial gain tax imposed on natural persons.

(3) The Commercial and industrial gain tax imposed on legal persons (companies).

(4) The tax on liberal professions and other non commercial professions.

(5) The tax on salaries, wages, and the like. Hereinafter referred to as “Yemen tax”.

4- The provisions of 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 Three**

**General Definitions**

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

(a) The terms (a Contracting State) and (the other Contracting State) mean, depending on the text, the Kingdom of Bahrain or the Republic of Yemen as the text requires;

(b) The term (person) includes individuals, companies, and any other body of persons;

(c) The term (company) means any body corporate or any entity which is treated as a body corporate for tax purposes.

(d) 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. The term (enterprise) in this Convention mean (project) in the Republic of Yemen;

(e)

(f) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise that has its place of effective management in a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;

(g) the term (competent authority) means:

- In the Kingdom of Bahrain, the Minister of Finance and National Economy or his authorised representative;

- In the Republic of Yemen, the Minister of Finance or his authorised representative;

(h) The term (national) means:

- Any individual possessing the nationality of a Contracting State;

- Any legal person or company deriving its status as such from the laws in force in a Contracting State.

2) As regards the application of the provisions 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 regarding the taxes to which the Convention applies.

**Article Four**

**Territorial Scope**

1- This Convention applies to: In the Kingdom of Bahrain, the Kingdom of Bahrain means the territory of the Kingdom of Bahrain as well as the maritime areas, sea-bed and sub-soil over which Bahrain exercises, in accordance with international law, sovereign rights and jurisdiction;

2- In the Republic of Yemen, the territory of the Republic of Yemen including the islands belonging thereto and any area beyond the territorial waters over which, in accordance with international law, the State of Yemen may exercise its rights in relation to the sea-bed and the sub-soil thereof, and the natural resources and Continental Shelf.

**Article Five**

**Resident**

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

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

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

(b)- If the State in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either State, he shall be deemed to be a resident only of the State in which he has an habitual abode;

(c) If he has a 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 natural persons is a resident of both Contracting States, then it shall be deemed to be a resident of the State in which its place of effective management is situated;

4- If under the provisions of Clause (1) from this Article, a person other than individuals and companies is a resident of both Contracting States, Competent Authorities of both Contracting States shall settle the question by mutual agreement, which determines the application of the Convention on such person.

**Article Six**

**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) places used as sales outlets.

(d) an office;

(e) a factory;

(f) a workshop;

(g) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources;

(h) a farm or planter;

(i) a building site or construction, an assembly project, procurement projects, or supervisory activities in relation therewith, if such site or project or activity continues for a period aggregating more than six months in a twelve month period;

(j) an enterprise furnishes services through employees or other individuals if such activities continue for a period aggregating more than six months in a twelve month period.

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

(a) the use of facilities solely for the purpose of storage, display of goods or merchandise belonging to the enterprise;

(b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage or display.

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

(d) 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; and

(f) the maintenance of a fixed place of business solely for any combination of activities mentioned in 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 sub-paragraphs (a) and (b) from paragraph (3), where a person — other than an agent of an independent status to whom Paragraph (6) 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- Notwithstanding the preceding provisions of this Article, an insurance company of a Contracting State shall, except in regard to reinsurance, be deemed to have a permanent establishment in the other Contracting State if it collects premiums in the territory of that other Contracting State or insures risks situated therein through a person, other than an agent of an independent status.

6- An enterprise shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in a Contracting 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. If such persons carry on their activities, wholly or partly, in the name of this enterprise, they shall not be deemed agents of independent status under the provisions 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 Seven**

**Income From Immovable Property**

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

2- The term "immovable property" shall have the meaning which it has under the laws of the Contracting State in which the property in question is situated. The term shall in any case include properly accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting land property apply,rights of easement and usufruct of immovable property and rights to variable or fixed payments as consideration for the working of. or the right to work, mineral deposits, sources and other natural resources; ships and aircraft shall not be regarded as immovable property.

3- Provisions of Paragraph (1) shall apply to income derived from the direct use, letting including agricultural leasing, 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 income from immovable property used for the performance of independent personal services.

**Article Eight**

**Business Profits**

1- The profits 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 profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

2- If the enterprise of one of the 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 profits 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 profits 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. However, no such deduction shall be allowed in respect of amounts, if any, paid (other than towards reimbursement of actual expenses) by the permanent establishment to the head office of the enterprise or to any of its other establishments, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission, for specific services per formed or for management, or, except in the case of a banking enterprise, by way of interest on moneys lent to the permanent establishment.

4- Where profits 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.

5- No profits 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 profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various parts, nothing in the provisions of clause (2) from this paragraph shall preclude that Contracting State from determining the profits 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 clauses, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient make the to the contrary.

**Article Nine**

**Shipping And Air Transport**

1- Notwithstanding the provisions of Article Two in this Convention, profits derived from the operation of ships or aircraft in international traffic, including incidental profits from such operation, shall be exempt from the taxes except in the Contracting State in which the the place of effective management of the establishment is situated.

2- If the place of effective management of a shipping enterprise 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) shall also apply to profits from participation in a pool, a joint business or an international operating agency.

**Article Ten**

**Associated Enterprises**

1- Where an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State; 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 independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included by a Contracting State in the profits of that enterprise and taxed accordingly.

2- Where a Contracting State includes in the profits of an enterprise of that State - and taxes accordingly - profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State; and 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 profits. In determining such adjustment, due regard shall be had to the other provisions of this Convention.

3- Contracting States shall not alter the profits of the project in the cases referred to in clause (1) from this Article after the expiry of the statute of limitations provided for in their national laws.

4- The provisions of clauses (2,3) from this Article shall not apply in case of tax avoidance.

**Article Eleven**

**Dividends**

1- Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State shall not be taxed in any of the Contracting States.

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 profits, 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 carries on independent personal services from 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 Articles (8) and (15) shall apply.

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

**Article Twelve**

**Income from Debt-Claims**

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

2- The term (profits) as used in this Article means income from debt-claims of every kind, whether or not whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures.

3- The provisions of paragraphs (1,2) shall not apply if the beneficial owner of income from debt-claims, being a resident of a Contracting State, carries on business in the other Contracting State in which the income is generated, through a permanent establishment situated therein, or performs in that 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 (8) or Article (15) of this Convention shall apply. Despite the provisions of paragraph (2) from this Article, income from debt-claims in a Contracting States shall be exempt from taxes in that State if such income pertains to:

(a) a Contracting State, one of its political subdivisions, local authorities, or statutory bodies;

(b) the central bank of the other Contracting State.

4- Income from debt-claims shall be deemed to arise in a Contracting State when the payer is the State, one of its political subdivisions, local authorities, or a resident of that State. Where, however, the person paying the income, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the indebtedness on which the income is paid was incurred, and such income is borne by such permanent establishment, then such income shall be deemed to arise in the State in which the permanent establishment is situated.

5- Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the income, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State and to the other provisions of this Convention.

**Article Thirteen**

**Royalties**

1- Royalties arising in a Contracting State and beneficially owned by a resident of the other Contracting State may be taxable 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 cinematography films, and films or tapes for television or radio broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or any industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

3- The provisions of this paragraph from 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 carries on in that other State independent personal services through a fixed base 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 or Article (14) shall apply, as the case may be.

4- Royalties shall be deemed to arise in a Contracting State when the payer is that State, one of its political subdivisions, local authorities, or a resident of that State. However, royalties shall be deemed to arise in the State of the permanent establishment or fixed base when the payer, whether he is a resident of that State or not, owns a permanent establishment or fixed base therein, with which the right or property in respect of which the royalties are paid is effectively connected, and such royalties are borne by a permanent establishment or fixed base.

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 not apply except for the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each State and other provisions in this Convention.

**Article Fourteen**

**Capital Gains**

1- Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article Seven and situated in the other Contracting State shall 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 a resident 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 the Contracted State in which the place of effective management of the establishment is situated.

4- Gains from the alienation of the company’s share capital whose property consists mainly, directly or indirectly, from immovable property in a Contracted State shall be taxable in that State.

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

**Article Fifteen**

**Independent Personal Services**

Income derived by 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. Such income is taxable in the other Contracted States if:

(a) the person has a fixed place regularly available to him in the other Contracting State for the purpose of performing his activities, but only within the limits of the income derived from the activities performed in that state.

(b) the person’s stay in the that other State is for a period or periods exceeding in the aggregate 183 days during the fiscal year in question, and within the limits of the services he performed in that State only.

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 Sixteen**

**Dependent Personal Services**

1- Subject to the provisions of Articles (17), (18), and (19), 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 Contracting 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 that other State for a period not exceeding in the aggregate 183 days in the Calendar year in question;

(b) The remuneration is paid by, or on behalf of, an employer who is not a resident of that other State;

(c) The remuneration is not borne by a permanent establishment or a fixed base which the employer has in that other State.

3- Notwithstanding the preceding provisions of this Article, remuneration derived by a resident of a Contracting State in respect of an employment exercised aboard a ship or aircraft operated in international traffic or employment in an enterprise that uses ships and aircraft in international traffic, shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

**Article Seventeen**

**Board Members' Bonuses**

Board Members' Bonuses and other similar bonuses 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 shall be taxed in that other State.

**Article Eighteen**

**Lifetime pensions and annuities (retirement)**

1- Pensions and annuities arising in a Contracting State and paid to a resident of the other Contracting State shall be taxed only in the other Contracting State.

2- The term annuity means a stated sum payable periodically at stated times during life or during a specified or ascertainable period of time under an obligation to make the payments in a single instalment in return for adequate and full consideration in money or money's worth.

**Article Nineteen**

**Artistes and Sportsmen**

1- Notwithstanding the provisions of Articles (15) and (16). income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artist, a musician, or a sportsman, from his personal activities as such exercised in the other Contracting State, shall be taxed in that other State.

2- Where income in respect of personal activities exercised by an artist or a sports person in his capacity as such accrues not to the artist or sports person himself but to another person, that income may, notwithstanding the provisions of Articles (8), (15) and (16), be taxed in the Contracting State in which the activities of the artists or sports person are exercised.

3- Income derived by an individual possessing the nationality of a Contracting State through performing his temporary work as an entertainer or sports person in the other Contracting State shall be exempt from tax charged therein if the work is performed based on an agreement between the Contracting States, or if the largest portion of his expenses is covered by the other Contracting State, one of its public entities, political subdivisions, or local authorities.

**Article Twenty**

**Government Service**

1- (a) Remuneration, other than a pension, 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) Such remuneration 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 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- The provisions of Articles (16, 17, and 18) shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority in that same State.

**Article Twenty One**

**Amounts Received by Students and Apprentices**

1- Resident of a Contracting State who is temporarily present in the other Contracting State solely because he is:

(a) a student at a university, college, or school.

(b) a business, Industry or technical apprentice.

(c) a recipient of and academic or research based scholarship or award from a religious, charitable, scientific, or educational organisation.  His scholarship shall not be taxed in the other Contracting State.

2- The same rule applies to any payment in form of remuneration received by the person in respect of services performed in the other Contracting State, provided that such services are connected to his studies or apprenticeship and must be necessary for covering his living expenses.

**Article Twenty Two**

**Teacher, Professors, and Researchers**

1- If a resident of one of the Contracted States is invited through a university, college, or a higher education and scientific research institution in the other Contracting State for a visit therein for the mere purpose of education or scientific research, he shall be exempted from taxation in that other State on any remuneration for such teaching or research.

2- The provisions of paragraph (1) shall not apply to remuneration from research if such research is undertaken not for public interest but primarily for the private benefit of a specific person or persons.

**Article Twenty Three**

**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- However, if such income is acquired by a resident of a Contracting State from sources in the other Contracting State, it may be taxable in the State in which it arises in accordance with the law of that State.

**Article Twenty Four**

**Methods for Elimination Of Double Taxation**

1- If a resident of a Contracting State derives income from sources in the other Contracting State, he shall, according to the provisions of this Convention, be subject to taxation in the other Contracting State. The first-mentioned Contracting State shall allow a deduction from the tax on income of that resident an amount equal to the tax paid in the other Contracting State, provided that such deduction shall not exceed that part of the tax, as computed before the deduction is given, which is attributable to the income derived from the other Contracting State.

2- If the income acquired by a resident of a Contracting State is, in accordance with the provisions of this Convention, exempt from tax in this State and subject to tax in the Other Contracting State, the first-mentioned Contracting State in calculating the amount of tax on the remaining income of such resident shall take into account the amount of the exempted income, provided that the tax rate to be applied shall be applied in the absence of such exemption.

3- For the purpose of deducting from a tax payable in a Contracting State, tax paid in the other Contracting State shall include the tax payable in the other Contracting State but it shall be exempted or reduced in accordance with the laws of tax incentives in place for encouraging investments.

4- For the purposes of paragraphs (1) and (2) from this Article, income acquired by a resident of a Contracting State which is taxed in the other Contracting State in accordance with the provisions of this Convention shall be deemed to arise from sources in that other State.

**Article Twenty Five**

**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 in respect to residence, are or may be subjected. These provisions 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 to any taxation or tax obligations that are different or more burdensome than the taxation and connected obligations to which nationals of the other State in the same circumstances are subjected to.

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

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 tax obligations 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 the other Contracting State any of the personal allowances, reliefs and reductions for tax purposes which are granted to its own individuals residing therein due to civic status or family obligations.

**Article Twenty Six**

**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 for the enforcement of the tax laws provided for in Article Two from this Convention. Any information acquired by the competent authority in a Contracting State in applying the provisions of this Article, shall be deemed confidential and shall not be disclosed except to the individuals and authorities working on tax assessment and collection provided for in this Convention or adjudicating conflicts thereof.

2- In no case shall the provisions of this paragraph be construed in a way that leads to violating the laws and administrative measures applied in any Contracting State or disclosing any trade, business, activity, profession, or trade process secrets, or information, the disclosure of which would be contrary to public policy.  The provisions of this Article shall not apply unless a tax legislation is issued in the Kingdom of Bahrain.

**Article Twenty Seven**

**Members of Diplomatic Missions and Consular Posts**

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

**Article Twenty Eight**

**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.   If his case comes under paragraph (1) from Article 25, he shall present his case to the competent authority of the Contracting State of which he is a national, 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 agreement 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- Contracting States shall not, after the period stated in its domestic laws had passed, increase Tax Base for a resident of any of the Contracting States by adding items to his income that are taxed by the other Contracting State.

5- The competent authorities of the Contracting States shall by mutual agreement, settle the mode of application of the Convention and, especially, the requirements to which the residents of a Contracting State shall be subjected in order to obtain, in the other Contracting State, the tax reliefs or exemptions provided for by the Convention.

**Article Twenty Nine**

**Miscellaneous Provisions**

1- Applying the provisions of this Convention shall not result in violating the tax laws in each of the Contracting States in terms of the provisions connected to combating tax evasion or taxes levied on individual’s income in return for contributing to the enterprises that are residents of any of the Contracting States.

2- Applying the provisions of this Convention shall not result in violating any of the allowances, reliefs, exceptions, or deductions provided for in the tax laws of any of the Contracted States in any Conventions in which they are or will be involved as Parties.

**Article Thirty**

**Entry Into Force**

Each of the Contracting States shall notify the other of the completion of the constitutional and legal procedures required for the ratification and entry into force of this Convention. The Convention shall enter into force after thirty days from the date on which the latter of such notifications is received. The provisions of this Convention shall have effect:

A. In respect of taxes withheld at source: for amounts payable and registered on or after the first day of January in the first calendar year following that in which this Convention enters into force;

B. In respect of other income taxes: for the fiscal years beginning on the first day of January in the first calendar year following that in which this Convention enters into force.

**Article Thirty One**

**Termination**

This Convention shall remain in force indefinitely. However, either Contracting state, and until 30 June of each calendar year, may notify the other State through diplomatic channels, by giving written notice expressing its desire to terminate the Convention.

In such event, the Convention shall cease to have effect:

A. in respect to taxes withheld at source: amounts payable or registered on the first day of January following the calendar year in the said notice of termination expires;

B. in respect to other income taxes: for the fiscal years beginning on the first day of January following the calendar year in the said notice of termination expires.  in witness whereof, the undersigned, duly authorized thereto by their respective Governments, have signed this Convention. Done in duplicate at Manama city on Saturday the 28th day of December 2002 corresponding to 24 Shawwal 1423 A.H., in the Arabic language, from two sources being equally authoritative.

**For the Government of**

**The Kingdom of Bahrain**

**Abdullah Bin Hassan Saif**

**Minister of Finance and National Economy**

**For the Government of**

**The Republic of Yemen**

**Ahmed Mohamed Safwan**

**Minister of Planning and Development**