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**Legislative Decree No. (20) of 1999 ratifying the Agreement on Mutual Tax Relief of Income and Capital resulting from International Air Transport Operations between the Government of the State of Bahrain and the Government of the Republic of Yemen**

We, Hamad bin Isa Al Khalifa, Emir of the State of Bahrain.

Having reviewed the Constitution,

Emiri Order No. (4) of 1975;

And the Agreement on Mutual Tax Relief of Income and Capital resulting from International Air Transport Operations between the Government of the State of Bahrain and the Government of the Republic of Yemen, signed in Manama on 13 Rajab 1419 A.H. corresponding to 2 November 1998,

And upon the submission of the Minister of Finance and National Economy,

And after the approval of the Council of Ministers;

**Hereby Decree the following Law:**

**Article One**

The Agreement on Mutual Tax Relief of Income and Capital resulting from International Air Transport Operations between the Government of the State of Bahrain and the Government of the Republic of Yemen, signed in Manama on 13 Rajab 1419 A.H. corresponding to 2 November 1998 accompanying 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 date of its publication in the Official Gazette.

**Emir of the State of Bahrain**

**Hamad bin Isa Al Khalifa,**

Issued at Riffa Palace:

On: 23 Muharram 1420 A.H.

**Corresponding to:** 9 May 1999

**Agreement on Mutual Tax Relief of Income and Capital resulting from International Air Transport Operations between the Government of the State of Bahrain and the Government of the Republic of Yemen**

The Government of Bahrain and the Government of the Republic of Yemen wish to conclude a mutual tax relief Agreement of Income and Capital Resulting from International Air Transport Operations, The two States agreed that:

**Article (1)**

**Taxes subject to this Agreement**

1- Taxes subject to this Agreement:

a) In the State Of Bahrain:

Any tax imposed by the Government of the State of Bahrain on income and capital (referred to as Bahraini taxes).

b) The Republic of Yemen:

Income and capital taxes and capital under the provisions of the Income Tax Act No. (31) of 1991 (referred to as Yemeni taxes).

2- This Agreement applies to what is referred to as the Bahraini taxes or the Yemeni taxes and also to identical or similar taxes which are imposed in addition to or instead of the taxes existing after the date of signing this Agreement by both Contracting States, their political subdivisions or their local authorities, whether as a percentage of the original taxes or in any other way, and the competent authorities in the two Contracting States shall inform each other of any changes or amendments that may occur to the tax laws by sending the texts of the amendments or any new laws through the competent authorities.

3- Income and capital taxes will be considered as all taxes imposed on the income or on elements of income, capital or capital elements.

**Article (2)**

**General Definitions**

First: In this Agreement, the following words and expressions shall have the meanings assigned to them below unless the context requires another meaning

The Contracting State, one of the Contracting States or the other Contracting State is the State of Bahrain or the Republic of Yemen, as required in the context of the text.

**Person:**

Legal person (any group, company or institution having the legal personality) who is treated as a taxable unit.

**Tax:**

Means any type of income or capital tax imposed in the State of Bahrain or the Republic of Yemen.

**Company or Institution:**

Means any unit or any legal person approved by the two Contracting States.

a-       (Air Transport Company of the State Of Bahrain) means the Gulf Air or any airline managed in the State of Bahrain by a person residing in the State of Bahrain and not resident in the Republic of Yemen or by a company or enterprise established under the laws of the State of Bahrain.

b-  (Air Transport Company of the Republic of Yemen) means the Yemen Airways or Yemen airline or any airline operated managed in the Republic of Yemen by a person residing in the Republic of Yemen and not resident in the State of Bahrain or by a company or enterprise established under the laws of the Republic of Yemen.

**Tax Residency:**

Means the State in which income and capital are generated and taxed.

**Competent Authority:**

For the State of Bahrain means (Ministry of Finance and National Economy or its authorised representative) and for the Republic of Yemen (Ministry of Finance - Tax Department or its authorised representative).

**Air Transport Activities:**

Means the air transportation of persons, luggage, animals, goods and mail by the institutions referred to in this article and the investment in aircraft including the sale of tickets or any other similar documents for the purpose of air transport as well as services complementary to the said activity and agency work between the Air Transport Company of the Contracting States.

**International Air Transport:**

Means any air transport used by the international air transport companies except for domestic transport undertaken by aircraft between places within the territory of the other Contracting State.

Second: When the provisions of this Agreement are applied by one of the Contracting States, any unidentified phrase will have its own meaning under the laws on taxation subject of the Agreement in that Contracting State, unless the context requires another meaning.

**Article (3)**

**Exemptions**

1- Income from international air transport operations or from transferred funds used in air transport operations that accrue to an Air Transport Company belonging to the State of Bahrain or the Republic of Yemen, as the case may be, shall be exempted from income and capital taxes in either Contracting State.

2- Each of the Contracting States shall be relieved from taxes on income and on capital gains obtained by the Air Transport Company of the other Contracting State in return for the sale of aircraft, spare parts, equipment and transferred funds used by the company in international transportation operations.

The Air Transport Company of either Contracting State shall be relieved from taxes on income and capital in the other Contracting State on:

a-Interests resulting from any deposits with banks so that the deposits are from amounts directly related to the international air transport operations.

b-Income and profits from training, management and other services performed by an Air Transport Company of the other Contracting State.

4- Any material used by an Air Transport Company of either Contracting State for the purposes of operation or promotion, such as kitchen equipment, stationery, diaries, scores, gifts, travel publications, catering materials, uniforms, office and computer equipment, x-ray equipment, explosives detectors, cars used at the airport borders, will be exempted from customs or any other similar duties in either Contracting State.

5- Wages, salaries and other incentives related to service on board the aircraft used in the international air transport are subject to taxes only in the country in which the Air Transport Company is operated.

6- Wages, salaries and other dues of nationals of the two Contracting States and foreigners employed by the Air Transport Company of one of the Contracting States in the other Contracting State shall be exempted from the income taxes.

7- For the purposes of this Article, the term “international traffic” means the air transport of persons, luggage, animals, goods and mail by an Air Transport Company or aircraft charterers for one or more flights, including the sale of tickets and similar documents issued by that company on its own behalf or on behalf of other airlines, and aircraft leasing for air transport purposes.

**Article (4)**

**Refund**

In the event that any tax exempted under this Agreement is paid in either of the Contracting States, that amount shall be refunded within 6 months upon the request of the competent authority in either Contracting State on behalf of its Air Transport Company.

**Article (5)**

**Exchange of Information**

The competent authorities in the two Contracting States shall exchange information that may be necessary or required for the implementation of this Agreement or the current laws in force in the two Contracting States relating to taxes, as well as information that may come to their knowledge by virtue of the tax law in force in each of them.

**Article (6)**

**Mutual understanding procedures**

Either of the two Contracting States may request consultation between them regarding any amendment to this Agreement, its application or interpretation, and this consultation begins within 60 days from the date of the request, and decisions are promulgated upon agreement of both Parties.

**Article (7)**

**Entry Into Force**

This Agreement will come into force from the date of exchange of the diplomatic notes confirming the completion of the constitutional procedures necessary in each of the Contracting States for the ratification of this Agreement.

**Article (8)**

**Termination**

This Agreement shall remain in force for an indefinite period and either Contracting State may, in or before the thirtieth of June in any calendar year commencing after the expiration of a period of four years from the date of entry into force of this Agreement, give a written notice of termination shall be given to the other Contracting State by the diplomatic means.

In such a case, the validity of this Agreement expires with respect to all taxes on income and capital on achieved and collected after the end of the calendar year during which the desire of one of the two states was communicated to the other to terminate the Agreement, and with regard to wages and salaries at the end of the second month of the date of termination of the Agreement.

In substantiation of the foregoing, the parties signed this Agreement under their respective States' authority for this purpose.

This Agreement was drawn up in Arabic language in the city of Manama on Monday 13 Rajab 1419 A.H, corresponding to 2 November 1998, in two originals each with the same legal force.

**On behalf of the government of**

**On behalf of the government of**

**The State of Bahrain**

**The Republic of Yemen**