

**SYNTHESISED TEXT OF THE MULTILATERAL CONVENTION TO IMPLEMENT TAX TREATY RELATED MEASURES TO PREVENT BASE EROSION AND PROFIT SHIFTING AND THE AGREEMENT BETWEEN THE GOVERNMENT OF THE ISLE OF MAN AND THE GOVERNMENT OF THE KINGDOM OF BAHRAIN FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME**

**General disclaimer on the Synthesised text document**

This document presents the synthesised text for the application of the Agreement between the Government of the Isle of Man and the Government of the Kingdom of Bahrain for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed on 3 February 2011 (the “Agreement”), as modified by the *Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting* signed by the Government of the Isle of Man on 7 June 2017 and the Government of the Kingdom of Bahrain on 27 November 2020 (the “MLI”).

The document was prepared jointly by the competent authorities of the Isle of Man and the Kingdom of Bahrain and represents their shared understanding of the modifications made to the Agreement by the MLI.

The document was prepared on the basis of the MLI position of the Isle of Man submitted to the Depository upon ratification on 25 October 2017 and of the MLI position of Kingdom of Bahrain submitted to the Depository upon ratification on 23 February 2022. These MLI positions are subject to modifications as provided in the MLI. Modifications made to MLI positions could modify the effects of the MLI on the Agreement.

The authentic legal texts of the Agreement and the MLI take precedence and remain the legal texts applicable.

The provisions of the MLI that are applicable with respect to the provisions of the Agreement are included in boxes throughout the text of this document in the context of the relevant provisions of the Agreement. The boxes containing the provisions of the MLI have generally been inserted in accordance with the ordering of the provisions of the 2017 OECD Model Tax Convention.

Changes to the text of the provisions of the MLI have been made to conform the terminology used in the MLI to the terminology used in the Agreement (such as “Covered Tax Agreement” and “Agreement”, “Contracting Jurisdictions” and “Contracting States”), to ease the comprehension of the provisions of the MLI. The changes in terminology are intended to increase the readability of the document and are not intended to change the substance of the provisions of the MLI. Similarly, changes have been made to parts of provisions of the MLI that describe existing provisions of the Agreement: descriptive language has been replaced by legal references of the existing provisions to ease the readability.

In all cases, references made to the provisions of the Agreement or to the Agreement must be understood as referring to the Agreement as modified by the provisions of the MLI, provided such provisions of the MLI have taken effect.

References

The authentic legal texts of the MLI and the Agreement can be found [here](#) and [here](#), respectively.

The MLI position of the Isle of Man submitted to the Depository upon ratification on 25 October 2017 and the MLI position of the Kingdom of Bahrain submitted to the Depository upon ratification on 23 February 2022 can be found on [the MLI Depository \(OECD\) webpage](#).

**Disclaimer on the entry into effect of the provisions of the MLI**

The provisions of the MLI applicable to the Agreement do not take effect on the same dates as the original provisions of the Agreement. Each of provisions of the MLI could take effect on different dates, depending on the types of taxes involved (taxes withheld at source or other taxes levied) and on the choices made by the Isle of Man and the Kingdom of Bahrain in their MLI positions.

Dates of the deposit of instruments of ratification: 25 October 2017 for the Isle of Man and 23 February 2022 for the Kingdom of Bahrain.

Entry into force of the MLI: 1 July 2018 for the Isle of Man and 01 June 2022 for the Kingdom of Bahrain.

This document provides specific information on the dates on or after which each of the provisions of the MLI has effect with respect to the Agreement throughout this document.

**AGREEMENT BETWEEN THE GOVERNMENT OF THE ISLE OF MAN AND THE GOVERNMENT OF THE KINGDOM OF BAHRAIN FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME**

The Governments of the Isle of Man and the Kingdom of Bahrain,

[REPLACED by paragraph 1 of Article 6 of the MLI] Desiring to conclude an Agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income,

***The following paragraph 1 of Article 6 of the MLI replaces the text referring to an intent to eliminate double taxation in the preamble of this Agreement :<sup>1</sup>***

**ARTICLE 6 OF THE MLI – PURPOSE OF A COVERED TAX AGREEMENT**

Intending to eliminate double taxation with respect to the taxes covered by this Agreement without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided this Agreement for the indirect benefit of residents of third jurisdictions),

Note 1: The Isle of Man and the Kingdom of Bahrain both notified the Depository of the preamble text under paragraph 5 of Article 6 of the MLI, the preamble text is therefore replaced by paragraph 1 of Article 6 of the MLI.

<sup>1</sup> In accordance with paragraph 1 of Article 35 of the MLI, paragraph 1 of Article 6 of the MLI has effect with respect to the Agreement:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 01 January 2023; and
- b) with respect to all other taxes levied by that Contracting Parties, for taxes levied with respect to taxable periods beginning on or after 01 December 2022.

Note 2: In order for paragraph 3 of Article 6 to be included in this Agreement both the Isle of Man and Kingdom of Bahrain need to notify the Depositary that they choose to apply it and also list all Covered Tax Agreements that do not already have this preamble language referring to a desire to develop an economic relationship or to enhance co-operation in tax matters. Although the Kingdom of Bahrain has chosen to apply paragraph 3, the Isle of Man has not and therefore it has not been included.

**HAVE AGREED AS FOLLOWS:**

**ARTICLE 1  
PERSONS COVERED**

This Agreement shall apply to persons who are residents of one or both of the Contracting Parties.

Note 3: The Isle of Man and the Kingdom of Bahrain have reserved the right for the entirety of Articles 3 and 11 of the MLI not to apply to this Agreement so there has been no change to this Article.

**ARTICLE 2  
TAXES COVERED**

1. This Agreement shall apply to taxes on income imposed on behalf of a Contracting Party or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income all taxes imposed on total income or on elements of income, including taxes on gains from the alienation of movable or immovable property, taxes on the total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciation.
3. The existing taxes to which the Agreement shall apply are in particular:
  - a) in Bahrain to income tax payable under Amiri Decree No. 22/1979  
(hereinafter referred to as "Bahrain Tax"); and
  - b) in the Isle of Man to taxes on income or profit  
(hereinafter referred to as "Manx tax").
4. The Agreement shall apply also to any identical or substantially similar taxes that are imposed after the date of signature of the Agreement in addition to, or in place of, the existing taxes. The competent authorities of the Contracting Parties shall notify each other of any significant changes that have been made in their taxation laws.

Note 4: There have been no changes to this Article as the MLI has no impact on it.

**ARTICLE 3**  
**GENERAL DEFINITIONS**

1. For the purposes of this Agreement, unless the context otherwise requires:
  - a) the term "Bahrain" means the territory of the Kingdom of Bahrain as well as the maritime areas, seabed and subsoil over which Bahrain exercises, in accordance with international law, sovereign rights and jurisdiction;
  - b) the term "Isle of Man" means the island of the Isle of Man, including its territorial sea, in accordance with international law;
  - c) the terms "a Contracting Party" and "the other Contracting Party" mean Bahrain or the Isle of Man as the context requires; the term "Contracting Parties" means Bahrain and the Isle of Man;
  - d) the term "person" includes an individual, a company and any other body of persons;
  - e) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes or any other entity constituted or recognised under the laws of one or other of the Contracting Parties as a body corporate;
  - f) the term "enterprise" applies to the carrying on of any business;
  - g) the terms "enterprise of a Contracting Party" and "enterprise of the other Contracting Party" mean respectively an enterprise carried on by a resident of a Contracting Party and an enterprise carried on by a resident of the other Contracting Party;
  - h) 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 Party, except when the ship or aircraft is operated solely between places in the other Contracting Party;
  - i) the term "competent authority" means:
    - (i) in Bahrain, the Minister of Finance or his authorised representative; and
    - (ii) in the Isle of Man, the Assessor of Income Tax or his authorised representative;
  - j) the term "national", in relation to a Contracting Party, means:
    - (i) in the case of Bahrain, any individual possessing nationality thereof and any legal person, partnership or association deriving its status as such from the laws in force in Bahrain; and

- (ii) in the case of the Isle of Man, any individual possessing nationality or citizenship thereof and any legal person, partnership or association deriving its status as such from the laws in force in the Isle of Man;
- k) the term "business" includes the performance of professional services and of other activities of an independent character.

2. As regards the application of the Agreement at any time by a Contracting Party, 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 Party for the purposes of the taxes to which the Agreement applies, any meaning under the applicable tax laws of that Party prevailing over a meaning given to the term under other laws of that Party.

Note 5: There have been no changes to this Article as the MLI has no impact on it.

#### **ARTICLE 4 RESIDENT**

1. For the purposes of this Agreement, the term "resident of a Contracting Party" means:
- a) in the case of Bahrain, a person who is present in Bahrain for a period or periods totalling in the aggregate at least 183 days in the fiscal year concerned, a company or other legal person which is incorporated or has its place of management in Bahrain, the Kingdom of Bahrain, and any political subdivision or local or statutory authority or body thereof; and
  - b) in the case of the Isle of Man, any person who, under the laws of the Isle of Man, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature, and also includes the Isle of Man and any political subdivision or local authority thereof and any pension fund or pension scheme recognised by the Isle of Man.

This term, however, does not include any person who is liable to tax in that Party in respect only of income from sources in that Party.

2. Where by reason of the provisions of paragraph 1 an individual is a resident of both Contracting Parties, then his status shall be determined as follows:
- a) he shall be deemed to be a resident only of the Party in which he has a permanent home available to him; if he has a permanent home available to him in both Parties, he shall be deemed to be a resident only of the Party with which his personal and economic relations are closer (centre of vital interests);
  - b) if the Party 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 Party, he shall be deemed to be a resident only of the Party in which he has an habitual abode;

- c) if he has an habitual abode in both Parties or in neither of them, he shall be deemed to be a resident only of the Party of which he is a national;
- d) if he is a national of both Parties or of neither of them, the competent authorities of the Contracting Parties shall settle the question by mutual agreement.

3. Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both Contracting Parties, then it shall be deemed to be a resident only of the Party in which its place of effective management is situated.

Note 6: The Isle of Man and the Kingdom of Bahrain have reserved the right for the entirety of Article 4 of the MLI not to apply to this Agreement so there has been no change to this Article.

## **ARTICLE 5 PERMANENT ESTABLISHMENT**

1. For the purposes of this Agreement, the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partly carried on.

2. The term "permanent establishment" includes especially:

- a) a place of management;
- b) a branch;
- c) an office;
- d) a factory;
- e) a workshop;
- f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources;
- g) a refinery;
- h) a sales outlet; and
- i) a warehouse in relation to a person providing storage facilities for others..

3. A building site or construction or installation project constitutes a permanent establishment only if it lasts more than twelve months.

4. 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 or delivery of goods or merchandise belonging to the enterprise;

- b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery;
- c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
- d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;
- e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;
- f) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs 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.

5. Notwithstanding the provisions of paragraphs 1 and 2, 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 Party an authority to conclude

contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that Party in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

6. An enterprise shall not be deemed to have a permanent establishment in a Contracting Party merely because it carries on business in that Party 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.

7. The fact that a company which is a resident of a Contracting Party controls or is controlled by a company which is a resident of the other Contracting Party, or which carries on business in that other Party (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

Note 7: The Isle of Man and the Kingdom of Bahrain have reserved the right for the entirety of Articles 12, 13, 14 and 15 not to apply to this Agreement so there have been no changes to this Article.

## **ARTICLE 6**

### **INCOME FROM IMMOVABLE PROPERTY**

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

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

3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise.

Note 8: There have been no changes to this Article as the MLI has no impact on it.

## **ARTICLE 7 BUSINESS PROFITS**

1. The profits of an enterprise of a Contracting Party shall be taxable only in that Party unless the enterprise carries on business in the other Contracting Party 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 Party but only so much of them as are attributable to that permanent establishment.

2. Subject to the provisions of paragraph 3, where an enterprise of a Contracting Party carries on business in the other Contracting Party through a permanent establishment situated therein, there shall in each Contracting Party 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 be 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 Party in which the permanent establishment is situated or elsewhere.

4. Insofar as it has been customary in a Contracting Party 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 paragraph 2 shall preclude that Contracting Party 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.

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. For the purposes of the preceding paragraphs, 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 reason to the contrary.

7. Where profits include items of income which are dealt with separately in other Articles of this Agreement, then the provisions of those Articles shall not be affected by the provisions of this Article.

Note 9: There have been no changes to this Article as the MLI has no impact on it.

## **ARTICLE 8 SHIPPING AND AIR TRANSPORT**

1. Profits from the operation of ships or aircraft in international traffic shall be taxable only in the Contracting Party in which the place of effective management of the enterprise 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 Party in which the home harbour of the ship is situated, or, if there is no such home harbour, in the Contracting Party of which the operator of the ship is a resident.

3. For the purpose of this Article, profits from the operation of ships or aircraft in international traffic shall include in particular:

- a) profits from the leasing of ships or aircraft engaged in international traffic on charter fully equipped, manned and supplied;
- b) profits from the leasing of ships or aircraft on a bare boat charter basis if such leasing activity is an ancillary activity for the enterprise engaged in international traffic;
- c) profits from the leasing of containers (including trailers and related equipment for the transport of containers) if such leasing activity is an ancillary activity for the enterprise engaged in international traffic.

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

Note 10: There have been no changes to this Article as the MLI has no impact on it.

**ARTICLE 9  
ASSOCIATED ENTERPRISES**

1. Where
  - a) an enterprise of a Contracting Party participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting Party, or
  - b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting Party and an enterprise of the other Contracting Party,

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 in the profits of that enterprise and taxed accordingly.

2. Where a Contracting Party includes in the profits of an enterprise of that Party and taxes accordingly profits on which an enterprise of the other Contracting Party has been charged to tax in that other Party and the profits so included are profits which would have accrued to the enterprise of the first-mentioned Party if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other Party 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 Agreement and the competent authorities of the Contracting Parties shall if necessary consult each other.

Note 11: The Isle of Man reserved the right for the entirety of Article 17 of the MLI not to apply to this Agreement as this Article already contains subsection 2 which is as described in Article 17(2) of the MLI. As such, there is no change to this Article notwithstanding that the Kingdom of Bahrain made no such reservation.

**ARTICLE 10  
DIVIDENDS**

1. Dividends paid by a company which is a resident of a Contracting Party to a resident of the other Contracting Party and which are beneficially owned by that resident shall be taxable only in that other Contracting Party.
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 Party 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 Party, carries on business in the other Contracting Party of which the

company paying the dividends is a resident through a permanent establishment situated therein and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.

4. Where a company which is a resident of a Contracting Party derives profits or income from the other Contracting Party, that other Party 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 Party or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment situated in that other Party, nor subject the company's undistributed profits to a tax on the company's undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other Party.

Note 12: The Isle of Man and the Kingdom of Bahrain have reserved the right for the entirety of Article 8 of the MLI not to apply to this Agreement so there is no change to this Article.

## **ARTICLE 11**

### **INCOME FROM DEBT-CLAIMS**

1. Income from debt-claims arising in a Contracting Party and which is beneficially owned by a resident of the other Contracting Party shall be taxable only in that other Contracting Party.

2. The terms "income from debt-claims" and "income" as used in this Article mean income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's 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. Penalty charges for late payment shall not be regarded as income for the purpose of this Article.

3. The provisions of paragraph 1 shall not apply if the beneficial owner of the income, being a resident of a Contracting Party, carries on business in the other Contracting Party in which the income arises through a permanent establishment situated therein and the debt-claim in respect of which the income is paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.

4. Income from debt-claims shall be deemed to arise in a Contracting Party when the payer is a resident of that Party. Where, however, the person paying the income, whether he is a resident of a Contracting Party or not, has in a Contracting Party 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 Party 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 Party, due regard being had to the other provisions of this Agreement

Note 13: There have been no changes to this Article as the MLI has no impact on it.

## **ARTICLE 12 ROYALTIES**

1. Royalties arising in a Contracting Party and which are beneficially owned by a resident of the other Contracting Party shall be taxable only in that other Contracting Party.
2. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience.
3. The provisions of paragraph 1 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting Party, carries on business in the other Contracting Party in which the royalties arise through a permanent establishment situated therein and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.
4. 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 Party, due regard being had to the other provisions of this Agreement.

Note 14: There have been no changes to this Article as the MLI has no impact on it.

## **ARTICLE 13 CAPITAL GAINS**

1. Gains derived by a resident of a Contracting Party from the alienation of immovable property referred to in Article 6 and situated in the other Contracting Party may be taxed in that other Party.
2. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting Party has in the other Contracting Party, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise), may be taxed in that other Party.

3. Gains from the alienation of ships or aircraft operated in international traffic or movable property pertaining to the operation of such ships or aircraft, shall be taxable only in the Contracting Party in which the place of effective management of the enterprise is situated.

4. Gains from the alienation of any property, other than that referred to in paragraphs 1, 2 and 3, shall be taxable only in the Contracting Party of which the alienator is a resident.

Note 15: The Isle of Man and the Kingdom of Bahrain have reserved the right for the entirety of Article 9 not to apply to this Agreement so there have been no changes to this Article.

#### **ARTICLE 14 INCOME FROM EMPLOYMENT**

1. Subject to the provisions of Articles 15, 17 and 18, salaries, wages and other similar remuneration derived by a resident of a Contracting Party in respect of an employment shall be taxable only in that Party unless the employment is exercised in the other Contracting Party. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other Party.

2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting Party in respect of an employment exercised in the other Contracting Party shall be taxable only in the first-mentioned Party if:

- a) the recipient is present in the other Party for a period or periods not exceeding in the aggregate 183 days in any twelve month period commencing or ending in the fiscal year concerned, and
- b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other Party, and
- c) the remuneration is not borne by a permanent establishment which the employer has in the other Party.

3. Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic may be taxed in the Contracting Party in which the place of effective management of the enterprise is situated.

Note 16: There have been no changes to this Article as the MLI has no impact on it.

**ARTICLE 15**  
**DIRECTORS' FEES**

Directors' fees and other similar payments derived by a resident of a Contracting Party in his capacity as a member of the board of directors or any similar organ of a company which is a resident of the other Contracting Party may be taxed in that other Party.

Note 17: There have been no changes to this Article as the MLI has no impact on it.

**ARTICLE 16**  
**ARTISTES AND SPORTSPERSONS**

1. Notwithstanding the provisions of Articles 7 and 14, income derived by a resident of a Contracting Party as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting Party, may be taxed in that other Party.

2. Where income in respect of personal activities exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles 7 and 14, be taxed in the Contracting Party in which the activities of the entertainer or sportsman are exercised.

Note 18: There have been no changes to this Article as the MLI has no impact on it.

**ARTICLE 17**  
**PENSIONS**

1. Subject to the provisions of paragraph 2 of Article 18, pensions and other similar remuneration paid to a resident of a Contracting Party in consideration of past employment shall be taxable only in that Party.

Note 19: There have been no changes to this Article as the MLI has no impact on it.

**ARTICLE 18**  
**GOVERNMENT SERVICE**

1. a) Salaries, wages and other similar remuneration paid by a Contracting Party or a political subdivision or a local authority thereof to an individual in respect of services rendered to that Party or subdivision or authority shall be taxable only in that Party.
- b) However, such salaries, wages and other similar remuneration shall be taxable only in the other Contracting Party if the services are rendered in that Party and the individual is a resident of that Party who:

- (i) is a national of that Party; or
  - (ii) did not become a resident of that Party solely for the purpose of rendering the services.
- 2.
  - a) Notwithstanding the provisions of paragraph 1, pensions and other similar remuneration paid by, or out of funds created by, a Contracting Party or a political subdivision or a local authority thereof to an individual in respect of services rendered to that Party or subdivision or authority shall be taxable only in that Party.
  - b) However, such pensions and other similar remuneration shall be taxable only in the other Contracting Party if the individual is a resident of, and a national of, that Party.
- 3. The provisions of Articles 14, 15, 16, and 17 shall apply to salaries, wages, pensions, and other similar remuneration in respect of services rendered in connection with a business carried on by a Contracting Party or a political subdivision or a local authority thereof.

Note 20: There have been no changes to this Article as the MLI has no impact on it.

**ARTICLE 19  
STUDENTS**

Payments which a student or business apprentice who is or was immediately before visiting a Contracting Party a resident of the other Contracting Party and who is present in the first-mentioned Party solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that Party, provided that such payments arise from sources outside that Party.

Note 21: There have been no changes to this Article as the MLI has no impact on it.

**ARTICLE 20  
OTHER INCOME**

- 1. Items of income of a resident of a Contracting Party, wherever arising, not dealt with in the foregoing Articles of this Agreement shall be taxable only in that Party.
- 2. The provisions of paragraph 1 shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6, if the recipient of such income, being a resident of a Contracting Party, carries on business in the other Contracting Party through a permanent establishment situated therein and the right or property in respect of which the income is paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.

Note 22: There have been no changes to this Article as the MLI has no impact on it.

**ARTICLE 21**  
**ELIMINATION OF DOUBLE TAXATION**

1. In the case of Bahrain, double taxation shall be avoided as follows:
  - a) Where a resident of Bahrain derives income which, in accordance with the provisions of this Agreement, may be taxed in the Isle of Man, Bahrain shall, subject to the provisions of sub-paragraph b) of this paragraph, exempt such income from tax.
  - b) Where in accordance with any provision of the Agreement income derived by a resident of Bahrain is exempt from tax in Bahrain, Bahrain may nevertheless, in calculating the amount of tax on the remaining income of such resident, take into account the exempted income.
  
2. In the case of the Isle of Man, double taxation shall be avoided as follows:
  - a) when imposing tax on its residents, the Isle of Man may include in the basis upon which such taxes are imposed, the items of income, which, according to the provisions of this Agreement, may be taxed in Bahrain.
  - b) where a resident of the Isle of Man derives income which, in accordance with the provisions of this Agreement, may be taxed in Bahrain, the Isle of Man shall allow as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in Bahrain. Such deduction shall not, however, exceed that part of the income tax, as computed before the deduction is given, which is attributable to the income which may be taxed in Bahrain.
  - c) notwithstanding the provisions of sub-paragraph b), where a company which is a resident of the Isle of Man,
    - (i) derives income which, in accordance with the provisions of Articles 6, 7 or 13 of this Agreement, may be taxed in Bahrain, the Isle of Man shall exempt such income from tax; or
    - (ii) holds at least 10 percent of the capital of a company which is a resident of Bahrain, the Isle of Man shall exempt from tax the dividends paid to the company which is a resident of the Isle of Man by the company which is a resident of Bahrain.

Note 23: The Isle of Man and the Kingdom of Bahrain have reserved the right for the entirety of Articles 3 and 5 of the MLI not to apply to this Agreement so there is no change to this Article.

**ARTICLE 22**  
**NON-DISCRIMINATION**

1. Nationals of a Contracting Party shall not be subjected in the other Contracting Party 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 Party in the same circumstances, in particular with respect to residence, are or may be subjected. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not residents of one or both of the Contracting Parties.
2. Stateless persons who are residents of a Contracting Party shall not be subjected in either Contracting Party to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of the Party concerned in the same circumstances, in particular with respect to residence, are or may be subjected.
3. The taxation on a permanent establishment which an enterprise of a Contracting Party has in the other Contracting Party shall not be less favourably levied in that other Party than the taxation levied on enterprises of that other Party carrying on the same activities. This provision shall not be construed as obliging a Contracting Party to grant to residents of the other Contracting Party any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.
4. Except where the provisions of paragraph 1 of Article 9, paragraph 5 of Article 11, or paragraph 4 of Article 12, apply, income from debt-claims, royalties and other disbursements paid by an enterprise of a Contracting Party to a resident of the other Contracting Party shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned Party.
5. Enterprises of a Contracting Party, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting Party, shall not be subjected in the first-mentioned Party 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 Party are or may be subjected.
6. The provisions of this Article shall, notwithstanding the provisions of Article 2, apply to taxes of every kind and description.

Note 24: There have been no changes to this Article as the MLI has no impact on it.

**ARTICLE 23**  
**MUTUAL AGREEMENT PROCEDURE**

1. **[REPLACED by the first sentence of paragraph 1 of Article 16 of the MLI]** Where a person considers that the actions of one or both of the Contracting Parties result or will result for him in taxation not in accordance with the provisions of this Agreement, he may, irrespective of the

remedies provided by the domestic law of those Parties, present his case to the competent authority of the Contracting Party of which he is a resident or, if his case comes under paragraph 1 of Article 22, to that of the Contracting Party of which he is a national.] The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Agreement.

***The following first sentence of paragraph 1 of Article 16 of the MLI replaces the first sentence of paragraph 1 of Article 23 of this Agreement:<sup>2</sup>***

**ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE**

Where a person considers that the actions of one or both of the Contracting Parties result or will result for that person in taxation not in accordance with the provisions of this Agreement, that person may, irrespective of the remedies provided by the domestic law of those Contracting Parties, present the case to the competent authority of either Contracting Party.

Note 25: The Isle of Man and the Kingdom of Bahrain have notified the Depository of this provision in the Agreement and did not reserve the right for the first sentence of Article 16(1) of the MLI not to apply. The first sentence of paragraph 1 of Article 16 therefore replaces the first sentence of paragraph 1 of Article 23.

Note 26: The Isle of Man and the Kingdom of Bahrain have not reserved the right for the second sentence of Article 16(1) of the MLI not to apply and have notified the Depository, as appropriate. This means the second sentence of Article 16(1) of the MLI shall apply in place of provisions that provide that a case referred to in the first sentence of Article 16(1) “...must be presented within a specified time period that is shorter than 3 years...”. The second sentence of paragraph 1 of this Article does not specify a time period that is shorter than 3 years and therefore remains the same.

Note 27: Part VI of the MLI (Arbitration) only applies if both Parties have notified the Depository accordingly. The Isle of Man and the Kingdom of Bahrain have reserved the right for the entirety of Article 13 of the MLI not to apply to this Agreement. Accordingly, Part VI cannot apply.

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 Party, with a view to the avoidance of taxation which is not in accordance with the Agreement. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting Parties.

3. The competent authorities of the Contracting Parties shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Agreement.

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<sup>2</sup> In accordance with paragraph 1 of Article 35 of the MLI, paragraph 1 of Article 16 of the MLI has effect with respect to this Agreement:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 01 January 2023; and
- b) with respect to all other taxes levied by that Contracting Parties, for taxes levied with respect to taxable periods beginning on or after 01 December 2022.

They may also consult together for the elimination of double taxation in cases not provided for in the Agreement.

4. The competent authorities of the Contracting Parties may communicate with each other directly, including through a joint commission consisting of themselves or their representatives, for the purpose of reaching an agreement in the sense of the preceding paragraphs.

5. Where,

a) under paragraph 1, a person has presented a case to the competent authority of a Contracting Party on the basis that the actions of one or both of the Contracting Parties have resulted for that person in taxation not in accordance with the provisions of this Agreement, and

b) the competent authorities are unable to reach an agreement to resolve that case pursuant to paragraph 2 within two years from the presentation of the case to the competent authority of the other Contracting Party,

any unresolved issues arising from the case shall be submitted to arbitration if the person so requests. These unresolved issues shall not, however, be submitted to arbitration if a decision on these issues has already been rendered by a court or administrative tribunal of either Party. Unless a person directly affected by the case does not accept the mutual agreement that implements the arbitration decision, that decision shall be binding on both Contracting Parties and shall be implemented notwithstanding any time limits in the domestic laws of these Parties. The competent authorities of the Contracting Parties shall by mutual agreement settle the mode of application of this paragraph.

#### **ARTICLE 24 EXCHANGE OF INFORMATION**

1. The competent authorities of the Contracting Parties shall exchange such information as is foreseeably relevant for carrying out the provisions of this Agreement or to the administration or enforcement of the domestic laws concerning taxes of every kind and description imposed on behalf of the Contracting Parties, insofar as the taxation thereunder is not contrary to the Agreement. The exchange of information is not restricted by Articles 1 and 2.

2. Any information received under paragraph 1 by a Contracting Party shall be treated as secret in the same manner as information obtained under the domestic laws of that Party and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with the assessment or collection of, the enforcement or prosecution in respect of, the determination of appeals in relation to the taxes referred to in paragraph 1, or the oversight of the above. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

3. In no case shall the provisions of paragraphs 1 and 2 be construed so as to impose on a Contracting Party the obligation:

- a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting Party;
- b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting Party;
- c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information, the disclosure of which would be contrary to public policy.

4. If information is requested by a Contracting Party in accordance with this Article, the other Contracting Party shall use its information gathering measures to obtain the requested information, even though that other Party may not need such information for its own tax purposes. The obligation contained in the preceding sentence is subject to the limitations of paragraph 3 but in no case shall such limitations be construed to permit a Contracting Party to decline to supply information solely because it has no domestic interest in such information.

5. In no case shall the provisions of paragraph 3 be construed to permit a Contracting Party to decline to supply information solely because the information is held by a bank, other financial institution, nominee or person acting in an agency or a fiduciary capacity or because it relates to ownership interests in a person.

Note 28: There have been no changes to this Article as the MLI has no impact on it.

## ARTICLE 25 MEMBERS OF DIPLOMATIC MISSIONS AND CONSULAR POSTS

Nothing in this Agreement shall affect the fiscal privileges of members of diplomatic missions or consular posts under the general rules of international law or under the provisions of special agreements.

Note 29: There have been no changes to this Article as the MLI has no impact on it.

***The following paragraph 1 of Article 7 of the MLI applies and supersedes the provisions of this Agreement :<sup>3</sup>***

### ARTICLE 7 OF THE MLI – PREVENTION OF TREATY ABUSE *(Principal purposes test provision)*

<sup>3</sup> In accordance with paragraph 1 of Article 35 of the MLI, paragraph 1 of Article 7 of the MLI has effect with respect to this Agreement:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 01 January 2023; and
- b) with respect to all other taxes levied by that Contracting Parties, for taxes levied with respect to taxable periods beginning on or after 01 December 2022.

Notwithstanding any provisions of this Agreement, a benefit under this Agreement shall not be granted in respect of an item of income if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of this Agreement.

Note 30: The inclusion of paragraph 1 of Article 7 of the MLI applies by default to all Covered Tax Agreements under the MLI.

***The following paragraph 4 of Article 7 of the MLI applies to paragraph 1 of Article 7 of the MLI:<sup>4</sup>***

Where a benefit under this Agreement is denied to a person under paragraph 1 of Article 7 of the MLI, the competent authority of the Contracting Party that would otherwise have granted this benefit shall nevertheless treat that person as being entitled to this benefit, or to different benefits with respect to a specific item of income, if such competent authority, upon request from that person and after consideration of the relevant facts and circumstances, determines that such benefits would have been granted to that person in the absence of the transaction or arrangement referred to in paragraph 1 of Article 7 of the MLI. The competent authority of the Contracting Party to which a request has been made under this paragraph by a resident of the other Contracting Party shall consult with the competent authority of that other Contracting Party before rejecting the request.

Note 31: The Isle of Man and the Kingdom of Bahrain both chose to apply paragraph 4 of Article 7 of the MLI in respect of this Agreement.

## **ARTICLE 26 ENTRY INTO FORCE**

1. Each Contracting Party shall notify the other Contracting Party of the completion of the procedures required by its laws for the bringing into force of this Agreement. The Agreement shall enter into force from the date on which the later of these notifications is received.
2. The provisions of the Agreement shall have effect:

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<sup>4</sup> In accordance with paragraph 1 of Article 35 of the MLI, paragraph 4 of Article 7 of the MLI has effect with respect to this Agreement:

- a) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 01 January 2023; and
- b) with respect to all other taxes levied by that Contracting Parties, for taxes levied with respect to taxable periods beginning on or after 01 December 2022.

- a) with respect to taxes due at source, on income credited or payable on or after January 1 of the year next following the year in which the Agreement entered into force;
- b) with respect to taxes, other than taxes due at source, on income of taxable periods beginning on or after January 1 of the year next following the year in which the Agreement entered into force.

Note 32: There have been no changes to this Article as the MLI has no impact on it.

## **ARTICLE 27 TERMINATION**

This Agreement shall remain in force until terminated by a Contracting Party but either Contracting Party may terminate the Agreement by giving to the other Contracting Party written notice of termination not later than the 30th June of any calendar year from the fifth year following that in which the Agreement entered into force. In the event of termination before July 1 of such year, the Agreement shall cease to have effect:

- a) with respect to taxes due at source, on income credited or payable from January 1 of the year next following the year in which the notice of termination is given;
- b) with respect to taxes, other than taxes due at source, on income of taxable periods beginning on or after January 1 of the year next following the year in which the notice of termination is given.

Note 33: There have been no changes to this Article as the MLI has no impact on it.