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Regulations and Agreements: Agreement between the Government of the Kingdom of Saudi Arabia and the Government of the United Arab Emirates on tax matters to avoid double taxation

Umm Al Qura, Issue No. 4767, date: 24/6/1440 (corresponding to 1 March 2019)

The Government of the Kingdom of Saudi Arabia and the Government of the United Arab Emirates,

Desiring to further develop their economic relations and to enhance their cooperation in tax matters,

Intending to conclude a Convention to avoid double taxation in respect of taxes on income and capital without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through the treaty-shopping arrangements aimed at obtaining reliefs provided in this Convention for the indirect benefit of residents of a third State), have agreed as follows:

Article 1

Persons covered

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

Article 2

Taxes covered

1. This Convention shall apply to taxes on income and to capital imposed on behalf of the Contracting State or of its administrative subdivisions or local authorities, irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income and on capital all taxes imposed on total income or total capital or on elements of income or capital, including taxes on gains from the alienation of movable or immovable property.
3. The existing taxes to which this Convention shall apply in particular are:

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For the Kingdom of Saudi Arabia:

- Zakat.
- Income tax.

(Hereinafter referred to as "the Saudi tax")

For the United Arab Emirates:

- Income tax.
- Corporate tax.

(Hereinafter referred to as "UAE tax")

4. The provisions of this Convention shall also apply to any identical or substantially similar taxes that are imposed by either Contracting State after the date of signature of this Convention in addition to or in lieu of existing taxes. The competent authorities of the Contracting States shall notify each other of any significant changes that have been introduced in their respective tax regulations.

Article 3

General Definitions

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

(A) The term "Saudi Arabia" means the territory of the Kingdom of Saudi Arabia, which also includes areas outside the territorial waters, where the Kingdom of Saudi Arabia exercises its sovereign and jurisdictional rights in their waters, seabed, sub-soil and natural resources by virtue of its law and the international law.

(B) The term "United Arab Emirates" means the United Arab Emirates and when used in its geographical meaning means the territories and islands of the United Arab Emirates that include the territorial sea, the maritime areas, the economic zone and the continental shelf over which the United Arab Emirates exercises sovereign rights in accordance with its domestic laws and the law. In relation to the exploitation and exploration of the natural resources of sea water, the seabed, the underlying soils of this water.

(C) the term "a Contracting State" and "the other Contracting State" mean the Kingdom of Saudi Arabia or the United Arab Emirates, as the context requires;

(D) The term "person" includes an individual, a company and any other body of persons including the State, its administrative subdivisions or its local authorities.

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E) the term "company" means anybody corporate or any entity that is treated as a body corporate for the purposes of the tax.

F) 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;

G) "international traffic" means any transport by a ship, aircraft or vehicle operated by a project in which its effective management interests located in a Contracting State, except where the ship, aircraft or vehicle is operated solely between places within the other Contracting State.

(H) "Citizen" means:

1. Any individual possessing the nationality of a Contracting State;
2. Any legal person, partnership or association deriving its status as such from the laws in force in a Contracting State.

(I) the term "competent authority" means:

1. For the Kingdom of Saudi Arabia, the Ministry of Finance and represented by the Minister of Finance or his authorized representative.
2. For the United Arab Emirates, the Ministry of Finance and represented by the Minister of Finance or his authorized representative.

(J) In the application of this Convention at any time by a Contracting State, any term not defined therein, unless otherwise required by the context of the text, shall have the same meaning that it has at that time under the law of that Contracting State in respect of the subject to which this convention applies, any meaning under the applicable tax law of that contracting state prevailing over a meaning given to the term in accordance with other laws of that Contracting State.

Article 4

Resident

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

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(A) Any person who, in accordance with the law of that Contracting State, is liable to tax therein because of his domicile, residence, place of incorporation or place of management or any other criterion of a similar nature. It also includes that State or any of its administrative subdivisions or local authorities.

(B) Any person of a legal capacity established and operating in accordance with the laws of a Contracting State such as sovereign funds owned by the Government or other entities that are not liable to tax or generally exempt from taxation in that State, either:

- For religious, charitable, educational, scientific or any other similar purpose.
- Or to provide pensions or other similar benefits to employees.

This term however shall not include any person who is taxable in that State in respect only of income from sources in that State or capital situated therein.

2. Where an individual - in accordance with the provisions of paragraph 1 of this article - is a resident of both Contracting States, his status shall be determined as follows:

A) is a resident only of the Contracting State in which he has permanent home available to him; if he has a permanent home in both Contracting States, he shall be deemed to be resident only of the Contracting State in which his personal and economic relations are closer (the center of vital interests).

(B) If it is not possible to determine which Contracting State has the status of his vital interests or has no permanent home available to him in either Contracting State, he shall be deemed to be a resident only of the Contracting State in which he has his habitual abode.

(C) if he has no habitual abode in both Contracting States or has no habitual abode in either of them, he shall be deemed to be a resident only of that State of which he is a national.

D) If he is a national of both Contracting States or is not a national of either Contracting State, the competent authorities of the Contracting States shall settle the matter by mutual agreement.

3. Where by reason of paragraph 1 of this article, a person - other than an individual - is deemed to be a resident of both Contracting States, it shall be deemed to be a resident only of the State in which it has its place of effectively management.

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Article 5

Permanent establishment

1. For the purposes of this Convention, the term "permanent establishment" means the fixed place of business through which the enterprise is engaged in whole or in part.

2. The term "permanent establishment" shall include in particular:

- A) Management Center.
- B) Branch.
- C) Office.
- D) Factory.
- E) Workshop.
- F) Any other place to extract natural resources.

3. The term "permanent establishment" also includes:

A) a building or construction site, assembly or installation project or related supervisory works, provided that such site, project or work continues for more than six months;

(B) Provision of services, including consultancy services, by a project through employees or other personnel engaged by the enterprise for this purpose, provided that such work (for the enterprise itself or on an associated project) shall continue within the Contracting State for a period or periods exceeding a total of 183 days during any twelve-month period commencing or ending in the fiscal year concerned.

4. Notwithstanding the preceding provisions of this article, the term "permanent establishment" shall not include:

(A) the use of facilities solely for the purpose of storing or displaying only goods or merchandise owned by the enterprise;

(B) the maintenance of a stock of goods or merchandise owned by the enterprise solely for the purpose of storage or supply;

(C) the maintenance of a stock of goods or merchandise owned by the enterprise solely for the purpose of processing by another enterprise;

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(D) the maintenance of a fixed place of business solely for the purpose of purchasing goods or goods or of collecting information for the enterprise;

(E) The maintenance of a fixed place of business solely for the performance of any other activity of a preparatory or auxiliary nature to the enterprise.

(F) The maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs (a) to (e) of this article, provided that the overall activity of the fixed base of work resulting from that combination has a preparatory or auxiliary nature.

5. Paragraph (4) of this article shall not apply to the fixed place of business used or retained by the enterprise if the same or other related enterprise carries out business activities in the same place or elsewhere in that Contracting State and where:

(A) That place or other place constitutes a permanent establishment of the enterprise or of the other project closely associated with it under the provisions of this article.

(B) The aggregate activity of the combination of activities carried out by the two projects in the same place, or by the same project or related projects in both places, is not of a preparatory or auxiliary nature.

Provided that the activities carried out by the two projects in the same place, or by the project or associated projects at the two locations are complementary functions and are part of interrelated work.

6. Notwithstanding the provisions of paragraphs 1 and 2 of this article, if a person other than an agent of an independent status to whom paragraph 7 applies, works in a Contracting State on behalf of an enterprise of the other Contracting State, The enterprise shall have a permanent establishment in that State first in respect of any work performed by that person for the enterprise, if that person:

(A) has the authority and habitually exercises it in that State for the conclusion of contracts or normally exercises a major role leading to the conclusion of contracts normally without any substantial modification by the project, provided that such contracts are in the name of the enterprise or the transfer of ownership or the grant of the right to use assets owned by the enterprise Or that the project has the right to use them or to provide services by the project.

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(B) has no such authority but normally maintains in the first-mentioned State a stock of goods or goods from which the goods or goods are regularly imported on behalf of the enterprise.

7. A Contracting State shall not be deemed to have a permanent establishment in the other Contracting State solely because of its employment in that other State through a broker, general commission agent or any other agent of an independent status, provided that such persons act in the normal course of their business.

8. 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 carries on business in that other State (whether through a permanent establishment or otherwise), shall not in itself constitute either company a permanent establishment of the other.

Article 6

Income from immovable property

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

2. The term immovable property shall have the meaning given to it in accordance with the regime of the Contracting State in which the property in question is situated. In any event, the term includes property attached to immovable property, livestock and equipment used for agriculture or forestry, rights to which the provisions of public order relating to land ownership, the right to use immovable property and rights in variable or fixed payments for exploitation or the right to exploitation of mineral deposits, sources and other natural resources; ships and aircraft shall not be considered immovable property.

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

4. The provisions of paragraphs 1 and 3 of this article shall also apply to income from immovable property of an enterprise and to income from immovable property used for the performance of independent personal services.

Article 7

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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 therein. If the enterprise carries on an activity as aforesaid, the profits of the enterprise may be taxed in the other Contracting State, however only to the extent that it can be attributed to:

A) such permanent establishment. Or

b) Sales in that other State of goods or goods of the same quality or of a quality similar to those sold through that permanent establishment. Or

c) Other business activities carried out in that other State of the same or similar characteristics as those of that permanent establishment.

2. Subject to the provisions of paragraph 3 of this article, when an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, each Contracting State shall determine the profits of that permanent establishment on the basis of profits to be realized if it is a separate and independent enterprise which undertakes the same or similar activities in the same circumstances or in similar circumstances and deal in a completely independent manner with the enterprise of which he or she is a permanent establishment.

3. In determining the profits of a permanent establishment, expenses incurred for the purposes of the business of a permanent establishment, including general executive and administrative expenses, shall be deducted whether incurred in the State in which the permanent establishment is situated or elsewhere. Such deduction shall not, however, be allowed in respect of any amount paid, if any (other than payment for reimbursement of actual expenses) by the permanent establishment of the principal office of the enterprise or any of its other offices in the form of royalties, fees or other similar payments for the use of patent rights or other rights or in the form of commissions in exchange for performance of specific services or against management or (except in the case of the banking enterprise) in the form of income from debt claims in respect of funds lent to the permanent establishment. Similarly, in determining the profits of a permanent establishment, the amounts (other than payment for reimbursement of actual expenses) incurred by that permanent establishment shall not be taken into account where its charge to the head office of the enterprise or any of its other offices in the form of royalties, fees or other similar payments for the use of patent rights or other rights, in the form of commissions in exchange for the performance of specific services or against

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management, or (except for the case of the banking enterprise) in the form of income from debt claims in respect of funds lent to the head office or any of its other offices.

4. Notwithstanding any other provision, profits derived by a Contracting State from the export of goods to the other Contracting State shall not be taxed in that other State. If the export contracts include other activities in the other Contracting State through a permanent establishment, the income derived from such activities may be taxed in the other Contracting State.

5. The term "business profits" includes, but is not limited to, profits from manufacturing, trade, banking, insurance, internal transport operations and provision of services. Such a term does not include income from the performance of personal services performed by an individual, either as an employee or as an independent person.

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

Article 8

Shipping, air transport and land transport

1. Profits from the operation of ships, aircraft or road vehicles in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

2. The phrase "profits derived from the international operation of ships and aircraft" shall include:

A) Profits from the leasing of ships or aircraft used for international transport on a full-time basis.

B) Profits from the leasing of ships or aircraft used in international transport without crew, fuel or other facilities.

C) the profits from the rental of vessels or the rental of containers and related equipment used in international transport;

D) profits from the proceeds of funds deposited in banks provided that they are the result of or related to the operation of aircraft in international air traffic in a Contracting State.

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Provided such profits are secondary to income from the international operation of ships or aircraft.

3. If the effective management center of a sea transport project is aboard a ship, it is situated in the Contracting State of which the port of the domicile is situated and if such place is not situated in the Contracting State of which the operator of the ship is a resident.

4. The provisions of paragraph 1 of this article shall also apply to profits derived from participation in a union, a joint enterprise or an international operating agency.

Article 9 Associated Enterprises

1. When:

(A) An enterprise of a Contracting State participates directly or indirectly in the management, control or capital of a project of the other Contracting State;

(B) the persons themselves participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and enterprise in the other Contracting State;

In either case, if the terms or conditions between the two projects are established or imposed in relation to a commercial or financial relationship that differ from those between two separate projects, the profits that either project would have made if these conditions were met but not achieved due to the existence of these conditions, may be included in the profits of this project and subject to tax accordingly.

2. When a Contracting State has included in the profits of an enterprise of that State, and has accordingly subjected them to taxation, the profits of an enterprise of the other Contracting State which have been taxed in that other State and those profits mentioned would have accrued for the enterprise of the first mentioned State referred to above if the conditions were between independent enterprises, then the other State shall make appropriate adjustment to the amount of the tax imposed on such profits in that Contracting State. In order to determine such amendment, the other provisions of this Convention shall be considered, and the competent authorities of the Contracting States shall consult with each other as and when necessary.

Article 10

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Dividends

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other State.
2. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and in accordance with the laws of that State, but if the beneficial owner of the dividends is a resident of the other Contracting State, the tax charged shall not exceed five per cent (5 per cent) of the total value of dividends. This paragraph does not affect the Company's tax liability in respect of dividends from which dividends are paid.
3. The term "dividends" as used in this Article means income from shares, "usufruct", or "usufruct" rights, mining shares, founders' shares or other rights not representing debt-sharing claims, as well as income of other participatory rights subject to the same tax treatment as income from shares under the regulations of the State in which the company distributes the dividends.
4. The provisions of paragraphs 1 and 2 of this article shall not apply if the beneficial owner of the dividends is a resident of a Contracting State and carries on business in the other Contracting State in which the company paying the dividends is a resident of, through a permanent establishment and that the holding in respect of which the dividends were paid is effectively connected with such permanent establishment. In such case the provisions of Article 13 or Article 14 of this Convention shall apply as the case may be.
5. If 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 dividends paid by the company, except to the extent that such dividends are paid to a resident of that other State or to the extent that in which the holding in respect of which the dividends were paid is effectively connected with a permanent establishment or fixed base situated in that other State, nor subject the undistributed profits of the Company to a tax on the undistributed profits even if the dividends paid or the undistributed profits are wholly or partly consist of the profits or income arising in that other State.

Article 11

Income from debt claims

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1. Income from debt arising in a Contracting State and paid to a resident of the other Contracting State and the beneficial owner of such income shall be taxable only in that other State.
2. The term "income from debt claims" as used in this article means income from debt claims of any kind, whether secured by mortgage or not, and whether or not the right to participate in the debtor's profits, in particular income from government securities and income from bonds and debentures, including premiums and prizes associated with such securities, bonds or debentures. Penalties charged for late payments shall not be considered as income from debt claims for the purpose of this Article.
3. The provisions of paragraph 1 of this article shall not apply if the beneficial owner of the income from debt claims is a resident of a Contracting State and carries on business in the other Contracting State in which the income arises from debt claims through a permanent establishment situated there or performs in that other State an independent personal services from a fixed base therein, and the debt claim for which such income is paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 or Article 14 of this Convention shall apply as the case may be.
4. Where the amount of income from debt claims, due to a special relationship between the payer and the beneficial owner or between both of them and another person, in respect of the debt in which the income is paid, exceeds the amount that would have been agreed between 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 any case, the excess part of the payments shall remain taxable under the system of each Contracting State, subject to the provisions of this Convention.

Article 12

Royalties

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.
2. However, such royalties may also be taxed in the Contracting State in which they arise in accordance with the laws of that State, but if the beneficial owner of the royalties is a resident of the other Contracting State, the tax charged shall not exceed ten per cent (10 %) of the total amount of royalties.

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3. The term "royalties" as used in this Article means payment 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, or films or tapes used for radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial, or scientific equipment, or for information concerning industrial, commercial or scientific experience.

4. The provisions of paragraphs 1 and 2 of this article shall not apply if the beneficial owner of the royalties is a resident of a Contracting State and carries on business in the other Contracting State in which the royalties are paid through a permanent establishment therein, or performs in that Other Contracting State independent personal services through a fixed base therein, and the right or property to which the royalties are paid is effectively connected with such permanent establishment or fixed base, in such case the provisions of Article VII and XIV of this Convention shall apply as the case may be.

5. Royalties shall be deemed to arise in a Contracting State if paid by a resident of that State. However, if the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base connected thereto to which the obligations in respect of which such royalties are paid, and such permanent establishment or fixed base bears the burden of paying such royalties, Such royalties shall arise in the Contracting State in which the permanent establishment or fixed base is situated.

6. Where the amount of the royalties due to a special relationship between the payer and the beneficial owner or between them together with another person - in respect of the use, right or information paid against it exceeds the amount that would have been agreed between the payer and the beneficial owner in the absence of such relationship, the provisions of this article apply only to the amount last mentioned. In such case the excess part of the payments shall remain taxable according to the system of each Contracting State, subject to the provisions of this Convention.

Article 13

Capital gains

1. The gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 of this Convention and situated in the other Contracting State may be taxed in that other State.

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2. Gains derived from the alienation of movable property forming part of the business property of a permanent establishment owned by an enterprise of a Contracting State of the other Contracting State or arising from the alienation of movable property relating to a fixed base available to a resident of a Contracting State in the other Contracting State for the performance of independent personal services, including gains from the alienation of such a permanent establishment (alone or with the whole project) or such fixed base, may be taxed in that other State.
3. Gains resulting from the alienation of ships or aircraft engaged in international traffic or from the alienation of movable property related to the operation of such ships or aircraft shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.
4. Gains resulting from the alienation of shares (representing a share in the capital of a company which is a resident of a Contracting State other than those listed on the domestic stock market) may be taxed in that State.
5. The gains derived from the alienation of any property other than that referred to in the preceding paragraphs of this Article shall be taxable only in the Contracting State of which the alienator is a resident.

Article 14

Income from independent personal services

1. Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent nature shall be taxable only in that State except in any of the following cases where such income may also be taxed in the other Contracting State:
 - (A) if the person has a fixed base regularly available to him in the other Contracting State for the performance of such activities, in which case the income may be taxed in the other Contracting State but only to the extent that it is attributable to that fixed base.
 - (B) If the person stays in the other Contracting State for a period or periods of up to or exceeding a total of (183) days in any twelve-month period beginning or ending in the fiscal year concerned. In that case, the amount of income derived only from its activities in that other State may be taxed in that other State.

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2. The term "professional services" includes, in particular, independent activities in the scientific, literary, artistic, educational or educational fields as well as the independent activities of doctors, lawyers, engineers, architects, dentists and accountants.

Article 15

Non-independent personal services

1. Subject to the provisions of Articles 16, 18, 19, 20 and 21 of this Agreement, salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State, unless it is exercised in the other Contracting State. If it is exercised in the other Contracting State, such remuneration may be taxed in that other State.

2. Notwithstanding the provisions of paragraph 1 of this Article, 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 in the following case:

(A) if the beneficiary is present in the other Contracting State 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;

(B) the remuneration shall be paid by an employer who is not a resident of or on behalf of the other State.

(C) the remuneration shall be paid by a permanent establishment or a fixed base owned by the employer of the other Contracting State.

3. Notwithstanding the preceding provisions of this Article, the remuneration earned from:

(A) a position exercised on board a ship or aircraft operated in international traffic by an enterprise of a Contracting State,

Or b) a function exercised by the nationals of either Contracting State to provide ground services to an international transport enterprise of a Contracting State of the other Contracting State, may be taxed in the Contracting State in which the place of effective administration of the enterprise is situated.

Article 16

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Directors' fees

Remuneration of directors and other similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State may be taxed in that other State.

Article 17

Artists and sportspersons

1. Notwithstanding the provisions of Articles 14 and 15 of this Convention, income derived by a resident of a Contracting State as an artist in theater, cinema, radio or television, or as a musician, or as a sportsman from his personal activities as such exercised in the other Contracting State may be taxed in that other State.

2. Where income in respect of personal activities exercised by an artist or sportsman in that capacity and that income is not attributable to the entertainer or sportsman himself but to another person, that income, notwithstanding the provisions of Articles 7, 14 and 15 of this Convention, may be taxed in the Contracting State in which the entertainer or sportsman engaged in such activities.

3. Income derived by a resident of a Contracting State from activities exercised in the other Contracting State in accordance with paragraphs 1 and 2 of this Article shall be exempt from tax in that other State where that other State is subsidized in whole or in part, by public or that first-mentioned Contracting State, one of its administrative divisions or local authority, or in accordance with a cultural agreement or agreement between the governments of the Contracting States.

Article 18

Pensions

1. Subject to the provisions of paragraph 2 of Article 19 of this Convention, pensions and other similar remuneration paid to a resident of a Contracting State in respect of a previous service shall be taxable only in that State.

2. Notwithstanding the provisions of paragraph 1 of this Article, pensions and other payments made on the basis of a public program which is part of the social insurance scheme of a Contracting State or an administrative division or a local government thereof shall be taxable only in that State.

Article 19

Government services

1. (A) Salaries, wages and other similar remuneration, other than a pension, paid by a Contracting State or an administrative subdivision or local government to an individual in respect of services rendered to that State, section or Government shall be taxable only in that State.

(B) However, such salaries, wages and other similar remuneration shall be taxable only in the other Contracting State if the services are rendered in the other State and the individual is a resident of that other State, and also

1. is one of its nationals.
2. has not become a resident of that Contracting State solely for the performance of the services.

C) any retirement pension paid by, or from funds provided by, a Contracting State or an administrative branch or local government thereof to an individual in respect of services rendered to that State, section or Government shall be taxable only in that State.

D) However, such pensions shall be taxable only in the other Contracting State if the individual is a national and a resident of that other State.

E) The provisions of Articles 15, 17 and 18 of this Agreement shall apply to salaries, wages, other similar remuneration and pensions in respect of services rendered in connection with an employment exercised by a Contracting State or an administrative branch thereof or local government.

Article 20

Students

1. Payments made to a student or professional or trainee who is or was directly prior to the visit to a Contracting State a resident of the other Contracting State and which is present in the first-mentioned State only for the purpose of his education or training shall not be taxed for his subsistence, education or training in such Contracting State provided that such payments arise from sources outside that Contracting State.

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2. Payments made to a student or professional or trainee who is or was directly prior to the visit of a Contracting State a resident of the other Contracting State and which is present in that other State only for the purpose of his education or training and which constitutes remuneration in respect of services rendered in that Contracting State Shall not be taxed in that other State.

Article 21

Teachers and Researchers

Remuneration received by a teacher or researcher who is or was a resident of a Contracting State prior to his invitation to the other Contracting State, visits for the purpose of education or research, and received in respect of such activities shall not be taxed in that other State.

Article 22

Other Income

1. Items of income of a resident of a Contracting State not dealt with in the foregoing Articles of this Convention shall be taxable only in that State wherever they arise.

2. The provisions of paragraph 1 of this article shall not apply to income other than income from immovable property specified in paragraph 2 of Article 6 of this Convention if the recipient of that income is a resident of a Contracting State and carries on business in that other Contracting State through another permanent establishment therein, or renders in that other State independent personal services from a fixed base therein, and the right or property for which the income is paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 or Article 14 of this Convention shall apply as the case may be.

Article 23

Capital

1. Capital represented by immovable property referred to in Article 6 of this Agreement and which is owned by a resident of a Contracting State and situated in the other Contracting State may be taxed in that other State.

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2. Capital represented by movable property forming part of the property of a permanent establishment of an enterprise of a Contracting State of the other Contracting State or of movable property relating to a fixed base owned by a resident of a Contracting State of the other Contracting State for the performance of independent personal services may be taxed in that other State.
3. Capital represented by ships or aircraft operated by an enterprise of a Contracting State in international traffic or represented by movable property relating to the operation of such ships and aircraft shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.
4. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

Article 24

Methods of elimination of double taxation

1. Where a resident of a Contracting State acquires income or owns capital which, in accordance with the provisions of this Convention, may be taxed in the other Contracting State, then the first mentioned Contracting State shall allow:

- A. deduction from the tax on the income of that resident shall be equivalent to the amount of the income tax paid in that other State.
- B. Deduction from the tax on the capital of that resident an amount equal to the amount of the capital tax paid in that other State.

However, such deduction shall not in any case exceed the amount of that part of the income tax or capital tax calculated before the deduction granted and as the case may be to income or capital which may be taxed in the other Contracting State.

2. In the case of the Kingdom of Saudi Arabia, there are no methods for the elimination of double taxation, which violates the provisions of the Zakat collection system.

Article 25

Mutual agreement Procedure

1. Where a person finds that the actions of one or both of the Contracting States result in, or will result in, a taxation not in accordance with the provisions of this Convention,

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he may, irrespective of the remedies provided for in the domestic regulations of those States, submit his case to the competent authority of either Contracting State. The case should be brought within three years of the first notification of the action leading to a tax contrary to the provisions of this Convention.

2. The competent authority shall, if it considers that the objection is justified and, if it is not itself able to reach a satisfactory solution, seek to resolve the case by mutual agreement with the competent authority of the other Contracting State in order to avoid imposing a tax contrary to the provisions of these and shall implement any agreement reached in spite of any time limits contained in the domestic regulations of the Contracting States.

3. The competent authorities of the Contracting States shall endeavour through mutual agreement, to resolve any difficulties or doubts arising as to the interpretation or application of this Convention. They may also consult together to eliminate double taxation in cases not covered by this Convention.

4. The competent authorities of the Contracting States may communicate with each other in order to reach agreement on the preceding paragraphs.

5. The competent authorities of the Contracting States may, by mutual agreement, determine the appropriate mode of application of this Convention and, in particular, the requirements that need to be fulfilled by the residents of a Contracting State in order for them to benefit from recognition or tax exemption in the other Contracting State provided for in this Convention.

Article 26

Exchange of information

1. The competent authorities of the Contracting States shall exchange information expected to be relevant to the implementation of the provisions of this Convention or to the administrative enforcement of the rules of procedure on taxes of any kind or statutory imposition on behalf of the Contracting States or their local authorities, as long as their exchange is not contrary to this Agreement. The exchange of information is not restricted by Articles (1) and (2) of this Agreement.

2. Any information received by a Contracting State under paragraph 1 of this article shall be treated as confidential in the same manner as information obtained in accordance with the laws of that Contracting State and shall be disclosed only to persons or authorities (including courts and administrative organs), who are involved

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in the connection, collection, execution, prosecution or determination of an objection in respect of the taxes referred to in paragraph (1) of this Article or supervision of the above. Such persons or authorities shall use such information only for such purposes and may disclose such information in the proceedings of a public court or in judicial decisions. Notwithstanding the foregoing, information received by a Contracting State for other purposes may be used when the regulations of both Contracting States authorize their use for such purposes and may disclose such information in the proceedings of a public court or in judicial decisions. Notwithstanding the foregoing, information received by a Contracting State for other purposes may be used when the regulations of both Contracting States permit their use for such purposes and such use has been authorized by the competent authority of the Contracting State providing such information.

3. In no case shall the provisions of paragraphs 1 and 2 of these Articles be construed so as to obligate a Contracting State to:

(A) to carry out administrative procedures in violation of the regulations and administrative practices of that State or of the other Contracting State;

(B) to provide information which is not obtainable under the ordinary administrative regulations or instructions of that Contracting State or of the other Contracting State;

(C) provide information that would disclose any trade, business, industry, trade or professional secrets, business processes or information that may be disclosed in violation of public policy.

4. If a Contracting State requires information under this article, the other Contracting State shall use its procedures for gathering information to obtain the information required, even if that other Contracting State does not require such information for its own tax purposes. This obligation is limited by paragraph (3) of this article, but in no way shall it be construed as allowing a Contracting State to refrain from providing information solely on the ground that there is no domestic interest in that State.

5. The provisions of paragraph (3) of this Article shall in no case be construed so as to permit a Contracting State to refrain from providing information solely on the ground that it is held by a bank or other financial institution, a candidate or a person acting as agent or trustee, related to someone's property interests.

Article 27

Special provisions

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Government investments (including investments by the Central Bank and public financial institutions and institutions wholly owned by the Governments of the Contracting States or their local Authorities) shall be exempted from taxation in the other Contracting State and income derived from such investments shall be exempted (including gains arising from their disposal). This article shall neither apply to immovable property, nor the income derived from such immovable property.

Article 28

Members of diplomatic and consular missions

Nothing in this Convention shall affect the financial privileges granted to members of diplomatic or consular missions under the general rules of international law or under the provisions of special agreements.

Article 29

Miscellaneous provisions

1. Notwithstanding the provisions of this Convention, the income and profits of a Contracting State from the exploration and exploitation of natural materials in the other Contracting State shall be taxable only in that other State.
2. Nothing in this Convention shall affect the application of domestic provisions to prevent evasion or avoidance of taxation.
3. Notwithstanding the other provisions of this Convention, a benefit under this Convention shall not be granted in respect of an income or capital component if it is reasonable to conclude (taking into account all relevant facts and circumstances) that access to that benefit was a primary purpose of any arrangement or a transaction resulting in such benefit, whether directly or indirectly, unless it is determined that the grant of such benefit in such circumstances shall be in accordance with the objectives and purposes of the relevant provisions of this Convention.
4. Nothing in this Convention shall affect the application of the regulations of the Contracting States in respect of the tax on income derived from the insurance activity.

Article 30

Entry into force

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1. Each Contracting State shall notify the other Contracting State in writing through diplomatic channels of the completion of the necessary procedures in accordance with its laws for the entry into force of this Convention. This Agreement shall enter into force on the first day of the month next following the month in which the last notification has been received.

2. The provisions of this Convention shall apply:

(A) in respect of taxes withheld at source, on payments made on or after the first day of January following the date of entry into force of this Convention;

(B) in respect of other taxes on taxable years beginning on or after the first day of January following the date of entry into force of this Convention;

Article 31

Termination

1. This Convention shall remain in force indefinitely but either of the Contracting State may terminate this Convention through diplomatic channels, by giving to the Contracting State written notice of termination, no later than 30 June in any Calendar year starting five years after the year in which this Convention entered into force.

2. In such case, the provisions of this Convention shall become ineffective:

(A) in respect of taxes withheld at source, on payments made after the end of the calendar year in which the notice of termination of the Agreement is made.

(B) in respect of other taxes on taxable years beginning after the end of the calendar year in which the notice of termination of the Convention is made.

IN WITNESS WHEREOF, the undersigned, duly authorized thereto, have signed this Agreement.

Done in Jeddah on 7-9-1439H corresponding to 23-5-2018, in two original copies in Arabic.

For the Government of Saudi Arabia
Minister of Finance

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Mohammed bin Abdullah Aljadaan

For the Government of the United Arab Emirates
Minister of State for Finance
Obaid bin Humaid Al Tayer

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