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**Published on the website on May 2024**

**Law No. (53) of 2002 ratifying the Convention Between the Government of The Kingdom of Bahrain and The Government of the Islamic Republic of Iran for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital.**

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

Having reviewed the Constitution;

The Convention Between the Government of The Kingdom of Bahrain and The Government of the Islamic Republic of Iran for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital, signed in Tehran on 19 October 2002, Upon the Submission of the Minister of Finance and National Economy

And after the approval of the Council of Ministers,

**Hereby Decree the following Law:**

**Article One**

the Convention Between the Government of The Kingdom of Bahrain and The Government of the Islamic Republic of Iran for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital,signed in Tehran on 19 October 2002, attached to this law, has been ratified

**Article Two**

The ministers– each within his jurisdiction– shall implement this Decision, and it shall be effective from the date of its issuance and shall be published in the Official Gazette

**King of Kingdom of Bahrain.**

**Hamad bin Issa Al Khalifa**

**Prime Minister**

**Khalifa bin Salman Al Khalifa**

**Minister of Finance and National Economy**

**Abdulla Hassan Saif**

**Issued at Riffa Palace:**

**On 17 Shaaban 1423 A.H.**

**Corresponding to: 23 October 2002**

**The Convention Between the Government of The Kingdom of Bahrain and The Government of the Islamic Republic of Iran for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital**

The Government of the Islamic Republic of Iran and the Government of the Kingdom of Bahrain are referred to in this Agreement as the Contracting States. In order to conclude a convention on the avoidance of double taxation in relation to income and capital taxes, we have agreed as follows:

**Article One**

**Scope of Application of the Convention**

This Convention shall apply to persons residing in any of the Contracting States

**Article Two**

**Taxes Covered**

a. This Agreement shall apply to taxes on income and on capital imposed on behalf of each Contracting State or its local authorities, irrespective of the manner in which they are levied.

b. There shall be regarded as taxes on income and on capital taxes imposed on total income, on total capital or on elements of income or of capital, 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.

c. The existing taxes to which the Agreement shall apply are:

a) in the case of the Islamic Republic of Iran:

(a) the income tax;

(b) the property tax;

(hereinafter referred to as "Iranian tax"),

2- in the case of the Kingdom of Bahrain

The income tax (Amiri Decree No.22/1979) (hereinafter referred to as "Bahrain tax").

d. This Agreement shall apply also to any identical or substantially similar taxes, which are imposed after the date of signature of this Agreement in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other within a reasonable period of any changes, which have been made in their respective taxation laws

**Article Three**

**General Definitions**

a. For the purposes of this Agreement, unless the context otherwise requires, the meanings of the terms are as follows:

1) the term "Islamic Republic of Iran" means the territory under the sovereignty and or jurisdiction of the Islamic Republic of Iran;

2)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

3)-The term "person" means

a) an individual,

b).A company or any other body of persons;

c) the term "company" means any body corporate or any entity, constituted or recognized under the laws of one or other of the Contracting States or which is treated as a body corporate for tax purposes;

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.

e) the term "international traffic" means any transport by a ship, boat, aircraft, or road vehicle and railway operated by an enterprise of a Contracting State, except when the ship, boat, aircraft or road vehicle and railway is operated solely between the places situated in one of the Contracting States;

7) the term "competent authority" means.

(a) in the case of the Islamic Republic of Iran,  the Minister for Finance or his authorised representative

b. I**n the case of Bahrain**: The Minister for Finance or his authorised representative

As regards the application of the Convention at any time by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning that it has at that time under the law of that State for the purposes of the taxes to which the Convention applies.

**Article Four**

**Resident**

For the purposes of this Agreement, the term "resident of a Contracting State" means any person who under the laws of the State is liable to tax therein by reason of his residence, domicile, place of management or any other criterion of a similar nature, and also includes that State or any local authority thereof. This term, however, does not include any person who is liable to tax in that State in respect only of income from sources in that State or capital situated therein.

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

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

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

3) if he is a national of neither of the States, and or if under the previous paragraphs, he may not be deemed a resident of one of the Contracting States,  Then the competent authorities of the Contracting States shall settle the question by mutual agreement.

c. Where, a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident of the State in which its place of effective management is situated.

**Article Five**

**Permanent Establishment**

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

b. The term "permanent establishment" includes especially:

1-A place of management

2-A branch

3-An office

4-A factory

5-A workshop

6- a mine, an oil or gas well, a quarry or any other place of extraction of natural resources

c. A building site, a construction, assembly or installation project or supervisory activities in connection therewith, constitutes a "permanent establishment" but only where such site, project or activities continue for a period of more than 12 months.

d. Notwithstanding the preceding provisions of this Article, the following activities of an enterprise of a Contracting State in the other Contracting State shall be deemed not to be treated as carrying on through the permanent establishment:

1- the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise

2- the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage, display or delivery

3- the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise.

4- the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise

5-the maintenance of a fixed place of business solely for the advertising, and/or scientific research, for that enterprise and/or carrying on any other activity of a preparatory or auxiliary character;

6-The maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs (1) to (5) provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

e. Notwithstanding the provisions of paragraphs 1 and 2 where a person (other than an agent of independent status to whom paragraph 6 applies) is acting in a Contracting State on behalf of an enterprise and has and habitually exercises in a Contracting State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that State in respect of any activities which that person undertakes for the enterprise unless the activities of such a 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.

f. An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business. when the activities of such an agent are devoted wholly or almost wholly on behalf of that enterprise, he shall not be considered an agent of an independent status if the transactions between the agent and the enterprise were not made under arm's length conditions.

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

**Article Six**

**Income From Immovable Property**

a. 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.

b. The term "immovable property" shall have the meaning which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting land property apply, rights of easement, 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. Ships, boats and aircraft shall not be regarded as immovable

c. Provisions of Paragraph (1) shall apply to income derived from the direct use, letting or use in any other form of immovable property.

d. The provisions of paragraphs (a) and (b) of this Article shall also apply to the income from immovable property of an enterprise and to the income from immovable property used for the performance of independent personal services.

**Article Seven**

**Business Gains**

a. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein.  If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

b. Subject to the provisions of paragraph (3) of this Article, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the gains which it might be expected to make if it were a 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.

c. In determining the gains of a permanent establishment, there shall he allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.

d. Insofar as it has been customary in a Contracting State to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various parts, nothing in paragraph (b) shall preclude that Contracting State from determining the profits to be taxed by such an apportionment as may be customary. The method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles embodied in this Article.

f. 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.

g. 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.

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

**Article eight**

**International Traffic**

a. Income derived by an enterprise of a Contracting State from the operation of ships, boats, aircraft or road vehicles, and railway in international traffic shall be taxable only in that Contracting State.

b- The provisions of Paragraph (1) of this Article shall also apply to gains from the participation in a pool, a joint business or an international operating agency

**Article nine**

**Associated Enterprises**

a- Where:

1- an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State; or

2-. Or if the same persons directly or indirectly contributed capital to a project, management or control of a project of one of the Contracting States and of a project of the other Contracting State, and if in either of these cases conditions relating to their commercial or financial relationship are placed or delegated different from the conditions that may exist between two separate projects, any profits that could have been earned by one of the enterprises but not realized due to the conditions may be incorporated into the gains of that enterprise and be taxable accordingly

b- If either Contracting State includes the gains of its enterprise and levies thereupon taxes accordingly, the gains of the enterprise of the other Contracting State which have been taxed in that latter Contracting State shall be deemed to be gains which may be realized for the project of the first State if the circumstances of the projects are the same as those which may exist between two projects which are independent of each other, the other Contracting State shall make an appropriate adjustment to the tax which it has imposed on such gains. In determining the amount of such adjustment, the other provisions of this Convention shall be taken into account and the competent authorities of the two Contracting States shall consult with each other when necessary.

**Article Ten**

**Dividends**

a. 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.

b. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State,  but if the recipient is the resident of the other Contracting State and the beneficial owner of the dividends the tax so charged shall not exceed 5 percent of the gross amount of the dividends.

c. 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 gains, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident.

d. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other Contracting State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base.  In such case the provisions of Article (7) shall apply(8)

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

**Article Eleven**

**Interest or Income from Debt Claims**

a. Interest or income arising from credits arising in a Contracting State and paid to a person who is a resident of the other Contracting State may be taxed in that other Contracting State

b. However, such interest or income from debt claims may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the recipient is a resident of the other Contracting State and the beneficial owner of the interest or income from debt claims the tax so charged shall not exceed 5 percent of the gross amount of the interest or income from debt claims.

c. The term “income from debt-claims” or “income” as used in this Article means 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 gains, 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 interest for the purpose of this Article.

d. Notwithstanding the provisions of paragraph 2, interest or income from debt claims arising in a Contracting State and derived by the other Contracting State, ministries, other Governmental institutions, municipalities, Central Bank and other banks wholly owned by the other Contracting State, shall be exempted from tax in the first-mentioned State.

e. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest or income from debt claims, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest or income from debt claims arises, through a permanent establishment situated therein, or performs in that other Contracting State independent personal services from a fixed base situated there in, and the debt claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base.  In such case, the provisions of Article 7 or Article 14, as the case may be, shall apply.

f. Interest or income from debt claims shall be deemed to arise in a Contracting State when the payer is that State itself, a local authority or a resident of that State.  Where, however, the person paying the interest or income from debt claims, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base, in connection with which the indebtedness on which the interest or income from debt claims is paid and such interest or income from debt claims is borne by such a permanent establishment or fixed base then such interest or income from debt claims shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base, is situated.

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

**Article Twelve**

**Royalties**

a. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

b. However, such royalties may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the beneficial owner of the royalties is a resident of the other Contracting State, the tax so charged shall not exceed (5%) of the gross amount of the royalties.

c. 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, and films or tapes for television or radio broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or any industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.

d. The provisions of Paragraphs (1) of this Article shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are 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.

e. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a local authority or a resident of that State: Where, however, 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 in connection with which the right or property giving rise to the royalties is effectively connected, and such royalties are borne by such permanent establishment, or fixed base then such royalties shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.

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

**Article Thirteen**

**Capital Gains**

a. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article (6) and situated in the other Contracting State may be taxed in that other State.

b. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such fixed base, may be taxed in that other State.

C. Gains derived by an enterprise of a Contracting State from the alienation of ships, boats, aircraft or road vehicles and railway operated in international traffic or movable property pertaining to the operation of such ships, boats, aircraft or road vehicles and railway shall be taxable only in that Contracting State.

D. Gains derived by an enterprise of a Contracting State from the alienation of ships, boats, aircraft or road vehicles and railway operated in international traffic or movable property pertaining to the operation of such ships, boats, aircraft or road vehicles and railway shall be taxable only in that Contracting State.

E. Gains 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 Fourteen**

**Independent Personal Services**

a.Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other Contracting State but only so much of it as is attributable to that fixed base.

b. The term (professional services” includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants

**Article Fifteen**

**Dependent Personal Services**

a. Subject to the provisions of Articles 16, 18, 19 and 20, 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 the employment is done in the other Contracting State. If the employment is so done, such remuneration as is derived therefrom may be taxed in that other Contracting State.

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

1- the recipient is present in the other State for a period or periods not exceeding in the 183 in any twelve month period commencing or ending in the fiscal year

2-The remuneration is paid by, or on behalf of, an employer who is not a resident of the other State.

3- The remuneration is not borne by a permanent establishment or a fixed base, which the employer has in the other State

Notwithstanding the preceding provisions of this Article, remuneration paid by an enterprise of a Contracting State for a function performed on board a vessel, boat, aircraft, vehicle or railway engaged in transport shall be taxable only in the Contracting State in which the enterprise has its effective management centre

**Article Sixteen**

**Directors’ Fees**

Directors' fees 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 Seventeen**

**Artists And Sportsmen**

a. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Contracting State 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 State, may be taxed in that other Contracting State.

b. 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 State in which the activities of the entertainer or sportsman are exercised.

c. The provisions of paragraphs 1 and 2 Shall not apply to the income derived by an entertainer or a sportsman from the activities performed within the framework of the cultural agreement concluded between the Contracting States.

**Article Eighteen**

**Pensions**

a. Subject to the provisions of paragraph 2 of Article 19, pensions and other similar remuneration paid to a resident of a Contracting State in consideration of past employment shall be taxed only in that Contracting State.

b. However, such pensions and other similar remuneration may also be taxed in the other Contracting State if the payment is made by a resident of that other State or a permanent establishment situated therein.

c. Notwithstanding the provisions of paragraph 1, pensions paid and other payments made under public schemes, which are parts of the social security system of a Contracting State or a local authority thereof, shall be taxable only in that Contracting State.

**Article Nineteen**

**Government Services**

a. Salaries, wages and other similar remunerations, other than a pension, paid by a Contracting State or a political subdivision, a local authority or a statutory body thereof to an individual in respect of services rendered to that State or subdivision, authority or body shall be taxable only in that State.

a. However, such salaries, wages and other similar remunerations shall be taxable only in the other Contracting State if the services are rendered in that State and the person is a resident of that State provided that he:

b. - is a national of that state، or

c. - did not become a resident of that State solely for the purpose of rendering the services.

d. Any pension paid by, or out of funds created by, a Contracting State or a political subdivision, a local authority or a statutory body thereof to an individual in respect of services rendered to that State or subdivision, authority or body shall be taxable only in that State

e. The provisions of Articles 15, 16 and 18 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a local authority thereof

**Article Twenty**

**Teachers, Students and Researchers**

a. Payments which a student or business apprentice who is a national of a Contracting State and who is present in the other Contracting State 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 other Contracting State, provided that such payments arise from sources outside that other State.

b. Likewise, remuneration received by a teacher or by an instructor who is a national of a Contracting State and who is present in the other Contracting State for the purpose of teaching or engaging in scientific research for a period or periods not exceeding two years shall be exempted from tax in that other Contracting State, provided that such payments arise from sources outside that other State. This paragraph shall not apply to remuneration and income from research if such research is undertaken for persons and enterprises with business purposes.

**Article Twenty One**

**Other Income**

a. Items of income of a resident of a Contracting State, wherever arising, not dealt with in the foregoing Articles of this Agreement shall be taxable only in that Contracting State.

b. 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 State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs independent personal services from a fixed base situated therein and the right or property in respect of which the income is derived is effectively connected with such a permanent establishment or fixed base.  In such case, the provisions of Article 7 or Article 14, as the case may be, shall apply

**Article Twenty Two**

**Capital**

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

B. Capital represented by movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or by movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, may be taxed in that other Contracting State.

c. Capital represented by ships, boats, aircraft or road vehicles and railway operated in international traffic and by movable property pertaining to the operation of such ships, boats, aircraft or road vehicles and railway shall be taxable only in that Contracting State.

d. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

**Article Twenty Three**

**Methods for Elimination of Double Taxation**

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

1) as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in that other Contracting State;

2) as a deduction from the tax on the capital of that resident, an amount equal to the capital tax paid in that other Contracting State. Such deduction in either case shall not, however, exceed that part of the tax as computed before the deduction is given, which is attributable, as the case may be, to the income or the capital.

b. Where in accordance with any provision of the Agreement income derived or capital owned by a resident of a Contracting State is exempted from tax in that State, such State may notwithstanding the exemption, in calculating the amount of tax on the remaining income or capital of such resident, take into account the exempted income or capital. .

**Article Twenty Four**

**Non - Discrimination**

a. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any tax obligations that are different or more burdensome than the taxation and connected obligations to which nationals of that other State in the same circumstances, in particular 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 States.

b. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied than the taxation levied on enterprises of that other State carrying on the same activities.

c. Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.

d. Except where the provisions of paragraph (1) of Article (9), paragraph (7) of Article (11), or paragraph (6) of Article (12) of this Convention apply, income from debt- claims, royalties, technical fees and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable gains of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first mentioned State.

E. Similarly, any debts of an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable capital of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first - mentioned State.

f. These provisions shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, relieves and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

**Article Twenty Five**

**Mutual Agreement Procedure**

a. Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with this Agreement, he may, irrespective of the remedies provided by the national laws of those States, present his case to the competent authority of the Contracting State of which he is a resident.  or, if his case comes under paragraph 1 of Article 24 to that of the Contracting State 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.

b. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with this Convention. Any Convention reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting States.

c. The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention. They may also consult together for the elimination of double taxation in cases not provided for in this Convention.

d. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs. The competent authorities, through consultations, shall develop appropriate procedures, conditions, methods and techniques for the implementation of the mutual agreement procedure provided for in this Article.

**Article Twenty Six**

**Exchange of Information**

a. The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Agreement or of the domestic laws concerning taxes covered by the Agreement insofar as the taxation thereunder is not contrary to the Agreement. The exchange of information is not restricted by Article 1.  Any information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws  and shall be disclosed only to persons or authorities including courts and administrative bodies involved in the assessment or collection of, the enforcement or prosecution in respect of or the determination of appeals in relation to, the taxes covered by the Agreement.  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.

b. In no case shall the provisions of paragraph 1 be construed so as to impose on a Contracting State the obligation:

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

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 State;

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 (Public Order).

**Article Twenty Seven**

**Members of Diplomatic Missions and Consular Posts**

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

**Article Twenty Eight**

**Entry Into Force of the Convention**

a. This Agreement shall be ratified in either of Contracting State in accordance with their laws and regulations and the instruments of ratification shall be exchanged as soon as possible.

b. The Agreement shall enter into force upon the exchange of instruments of ratification and its provisions shall have effect in respect of the portions of income and capital, that are earned or exist on the beginning of or after 1st January (11th Day Solar Hijra) in the calendar year following the year in which this Agreement shall have taken legal effect.

**Article Twenty Nine**

This Convention shall remain in force until terminated by a Contracting State. Either Contracting State may terminate this Convention, through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year after the expiration of a period of five Gregorian years from the date of its entry into force. In such a case, the date of entry into force of this Agreement relating to any shares of income or capital existing or acquired shall expire on or after the first day of January (the eleventh day of the Hijri Solar Year) in the calendar year following the year in which the notifications are presented. The convention was released in Tehran on October 19, 2002, in two identical copies in Persian, Arabic and English. All texts have equally authoritative, and in case of different interpretation, the English text shall prevail

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

**For the Government of the kingdom of Bahrain For the Government of the Islamic Republic of Iran**

**Minister of Finance and National Economy Minister of Economy and Financial Affairs.**