AGREEMENT
BETWEEN
THE GOVERNMENT OF THE STATE OF BAHRAIN
AND
THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA
CONCERNING RECIPROCAL EXEMPTION FROM TAXATION ON INCOME ARISING FROM INTERNATIONAL TRANSPORTATION BY AIR TRANSPORT ENTERPRISES

The Government of the State of Bahrain and the Government of the People's Republic of China, in accordance with the principles of equality and mutual benefit have reached to an agreement for reciprocal exemption from taxation on income arising from international transportation by air transport enterprises as follows :

Article I

For the purposes of this Agreement :

1. The terms "a Contracting State" and "the other Contracting State" mean the Government of the State of Bahrain (hereinafter referred to as "Bahrain") or the Government of the People's Republic of China (hereinafter referred to as "China") as the context requires.

2. The term "air transport enterprise", as the context requires, means respectively :
   a) in the case of Bahrain, Gulf Air designated by the Government of Bahrain or any other air transport enterprise carried on by a partnership or corporation created under the laws of Bahrain and managed and controlled in Bahrain; and
   b) in the case of China, China Eastern Airlines designated by the Government of China or any other air transport enterprises carried on by a resident company created under the laws of China and managed and controlled in China.

3. The term "the business of international transportation" means the business of transporting international passengers, luggages, livestocks, goods and mails carried on by an air transport enterprise of a Contracting State, and includes the sale of tickets or similar documents for such transportation such as airway bill, documents of advertising nature and gifts.

4. The term "competent authority" means

a) in the case of Bahrain, the Ministry of Finance and National Economy or its authorised representative;

b) in the case of China, the State Administration of taxation or its authorised representative.

Article II

Income, profits and gains of an air transport enterprise of a Contracting State arising from the business of international transportation shall be exempt from any tax in the other Contracting State.

Article III

The income and profits from the business of international transportation include income and profits from the rental, incidental rental charter or lease of aircraft or containers in the operation of international transportation by an air transport enterprise of a Contracting State, and gains derived from the alienation of aircraft or containers operated in the business of international transportation.

Article IV

Gains derived by an air transport enterprise of a Contracting State from the alienation of spares, equipment and other movable property used by the enterprise in the operation of aircraft in international traffic shall be exempt from tax in the other Contracting State, irrespective of the manner in which it is levied.

Article V

An air transport enterprise of a Contracting State shall be exempt from tax in the other Contracting State on -

a) interest derived from deposits with banks where the deposits are from funds directly connected with the operation of aircraft in international traffic;

b) income and profits derived from training schemes, management and other services rendered to an air transport enterprise of the other Contracting State.

Article VI

Catering on board used by an air transport enterprise of a contracting state shall be exempt from customs duties or any other similar imposition in either of the contracting states.

Article VII

Salaries, wages and other remuneration earned by the employees who are appointed and sent by the air transport enterprise of a Contracting State to the other Contracting State, shall be exempt in the other Contracting State from income tax and any other tax which may be charged on income.

Article VIII

In case any tax which would have been exempted under this Agreement has been collected by either of the Contracting States, the tax shall be refunded upon application submitted by the competent authority of either Contracting State on behalf of its air transport enterprise within 6 months from the date of such application.

Article IX

Consultation may be requested at any time by either Contracting State for the purpose of amendment to the present Agreement or for its application or its interpretation. Such consultation shall begin within 60 days from the date of receipt of any such request and decisions shall be by mutual consent.

Article X

1. Each of the Contracting States shall notify the other Contracting State in writing, through diplomatic channels, of the completion of their respective legal procedures to bring this Agreement into force. The Agreement shall enter into force on the first day of January following the year of notifications.

2. The Agreement shall remain in force indefinitely, but may be terminated by either Contracting State by giving six months prior notice in writing to the other Contracting State.

Done in duplicate at Beijing on 17 / 6 / 1999 in the Arabic,Chinese, and English languages, the three texts being equally authentic. In the case of any divergence of interpretation, the English text shall prevail.

For the Goverment of the State of Bahrain

Abdulla Hassan Saif

For the Goverment of the People's Republic of China

Jin Renqing