AGREEMENT
BETWEEN THE KINGDOM OF BAHRAIN
AND
THE SWISS CONFEDERATION

for the reciprocal exemption of taxes on income and on capital arising from the business of international air and sea transport.

The Government of the Kingdom of Bahrain and the Swiss Federal Council, desiring to conclude an Agreement for reciprocal exemption of taxes on income and on capital arising from the business of international air and sea transport have agreed on the following:

Article 1
Taxes covered

1. This Agreement shall apply to taxes on income and on capital imposed on behalf of a Contracting State 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, on total capital, or on elements of income or of capital, including taxes on gains from the alienation of movable property.

3. The taxes which are the subject of this agreement are:

a) in the case of the Kingdom of Bahrain, any tax which may be imposed by the Government of Bahrain on income and on capital, (hereinafter referred to as "Bahrain tax"),

b) in the case of Switzerland, the Federal, cantonal and communal taxes on income and on capital,
(hereinafter referred to as "Swiss tax").

4. This Agreement shall apply also to any identical or substantially similar taxes which are imposed after the date of signature of the Agreement.

Article 2
Definitions

1. For the purpose of this Agreement, unless the context otherwise requires:

a) the terms "a Contracting State" and "the other Contracting State" mean the Kingdom of Bahrain or Switzerland as the context requires;

b) 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; the terms shall be deemed to include any enterprise carried on by the Government of either Contracting State or by any corporation of a Contracting State of which the Government of either Contracting State has a share;

c) the term "exercise of transport by aircraft" means the operational activity of transportation by air of persons, animals, goods and mail conducted by an enterprise of a Contracting State including the sale of tickets and similar documents used for the purpose of transport;

d) the term "exercise of transport by ships" means the operational activity of transportation by ships of persons, animals, goods and mail conducted by an enterprise of a Contracting State including the sale of tickets and similar documents used for the purpose of transport;

e) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise which has its place of effective management in a Contracting State, except when the ship or aircraft isoperated solely between places in the other Contracting State.

2. As regards the application of the provisions of this Agreement by a Contracting State any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the law of that State concerning the taxes to which the Agreement applies.

Article 3
Sea and Air Transport Profits

1. Profits derived by an enterprise of a Contracting State from the exercise of transport by aircraft or by ships in international traffic shall be exempted from tax in the other Contracting State; and such exemption shall also apply to taxes levied on any item of movable property (aircraft and ships and their parts and equipments included) pertaining to such operations.

2. The provisions of paragraph 1 shall also apply to profits derived by an enterprise of a Contracting State from its participation in a pool, a joint business or an international operating agency.

Article 4
Entry into force

This Agreement shall enter into force on the date of the exchange of diplomatic notes indicating the completion of internal procedures necessary in each Contracting State for the entry into force of this Agreement, and its provisions shall have effect for any fiscal year beginning on or after the first day of the calendar year in which the Agreement enters into force.

Article 5
Termination

This Agreement shall continue in effect indefinitely but either of the Contracting States may terminate it by giving notice of termination at least six months before the end of any calendar year.In such event, the Agreement shall cease to have effect at the end of the calendar year in which the notice of termination is given.

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

Done in duplicate at Manama on Tuesday 9th day of November, 2004 in the Arabic, French and English languages, all three texts being equally authentic. In case there is any divergency of interpretation between the Arabic and the French text, the English text shall prevail.

For the
Government of the
Kingdom of Bahrain

Abdulla Hassan Saif
Minister of Finance and
the National Economy

For the
Swiss Federal Council

Jean – Philippe Tissieres
Swiss Ambassador to
Kingdom of Bahrain