CONVENTION BETWEEN

THE STATE OF BAHRAIN

AND

THE REPUBLIC OF THE PHILIPPINES

FOR THE AVOIDANCE OF DOUBLE

TAXATION AND THE PREVENTION OF FISCAL EVASION

WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL

The State of Bahrain and the Republic of the Philippines desiring, to conclude a Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital, 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 on capital imposed on behalf of a Contracting State or of its political subdivisions or local authorities, irrespective of the manner in which they are levied.

2. There shall be regarded as taxes on income and on capital all taxes imposed on total income, on total capital or on elements of income and elements of capital, including taxes on gains from the alienation

of movable or immovable property, and taxes on total amounts of wages or salaries paid by enterprises.

3. The existing taxes to which the Convention shall apply are, in particular:

   a) in the case of Bahrain:

      any tax 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 amount of wages or salaries paid by enterprises, as well as taxes on capital gains, which are similar to those to which the Convention applies in the case of the Philippines (hereinafter referred to as "Bahraini tax");

   b) in the Philippines:

      (i) income tax on individuals;
      (ii) income tax on corporations;
      (iii) income tax on estates and trusts;
      (iv) withholding taxes; and
      (v) stock transaction tax
      (hereinafter referred to as "Philippine tax").

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

Article 3
GENERAL DEFINITIONS

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

a) (i) the term "Bahrain" means the territory of the State of Bahrain including its islands, the territorial sea, the continental shelf, any exclusive economic zone or zones, and such other territories, airspace and seas over which Bahrain exercises sovereignty or over which it has rights of sovereignty under international law.

(ii) the term "Philippines" means the national territory which comprises the Philippine archipelago, with all the islands and waters embraced therein, and all other territories over which the Philippines has sovereignty or jurisdiction, consisting of its terrestrial, fluvial and aerial domains, including its territorial sea, the seabed, the subsoil, the insular shelves, and other submarine areas. The waters around, between, and connecting the islands of the archipelago, regardless of their breadth and dimensions form part of the internal waters of the Philippines.

b) the terms "a Contracting State" and "the other Contracting State" mean Bahrain or the Philippines as the context requires;

c) the term "person" includes an individual, an estate, a company, and any other body of persons, constituted or recognized as such under the laws of one or other of the Contracting State;

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

e) 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;

f) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise which is a resident of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;

g) the term "national" means:

(i) in the case of Bahrain:
(aa) any individual possessing Bahraini nationality under the laws of Bahrain; and
(bb) any company, a body of persons or any other entity having legal existence under the laws of Bahrain; and

(ii) in the case of the Philippines:
(aa) any individual possessing Philippine nationality; and
(bb) any legal person, partnership or association deriving its status as such from the laws in force in the Philippines;

h) the term "competent authority" means:

(i) in the case of Bahrain, the Minister of Finance and National Economy or his authorized representatives; and

(ii) in the case of the Philippines, the Secretary of Finance or the Commissioner of Internal Revenue or their authorized representatives.

2. As regards the application of the Convention in any 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, any meaning under the applicable tax laws of that State prevailing over a meaning given to the term under other laws of that State.

Article 4
RESIDENT

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

a) in the case of Bahrain, the State of Bahrain, its local authorities, any statutory body thereof and any person who under the laws of the State of Bahrain is domiciled or resident in, a citizen of, or

having their place of incorporation or management within the State of Bahrain.

b) in the case of the Philippines, a person who is under Philippine law liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature and also includes the Philippines and any political subdivision or local authority thereof. But this term does not include any person who is liable to tax in the Philippines in respect only of income from sources in the Philippines.

2. 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:

a) 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 only of the State with which his personal and economic relations are closer (centre of vital interests);

b) if the State in which he has his centre of vital interests cannot be determined, or if he has no permanent home available to him in either State, he shall be deemed to be a resident only of the State in which he has an habitual abode;

c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident only of the State of which he is a national;

d) if he is a national of both States or of neither of them, the competent authorities of the Contracting States shall settle the question by mutual agreement.

3. Where a person who is a resident of a State according to the provisions of the domestic laws of this State, is deemed to be a resident of the other Contracting State on the basis of the nationality criterion provided for under Article 4 paragraph 2(c) herein, the first-mentioned State may refuse to this person the benefit of tax exemptions or reductions provided for by the Convention to the

benefit of residents of the other State, but shall consider nevertheless that person as non-resident for the purpose of its domestic laws.

4. Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both Contracting States, then this case shall be determined in accordance with the following rules:

   a) it shall be deemed to be a resident only of the State in which it is incorporated, created or organized;

   b) if the State in which it is incorporated, created or organized cannot be determined, it shall be deemed to be a resident only of the State in which its place of effective management is situated;

   c) if the place of effective management cannot be determined, the competent authorities of the Contracting States shall settle the question by mutual agreement.

Article 5
PERMANENT ESTABLISHMENT

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

2. The term "permanent establishment" includes especially:

   a) a place of management;

   b) a branch;

   c) an office;

   d) a factory;

   e) a workshop;

   f) a mine, an oil or gas well, a quarry or any other place of extraction or exploration of natural resources;

g) a refinery;

h) a sales outlet;

i) a building site, a construction assembly or installation project or supervisory activities in connection therewith, but only where such site, project or activity continues for a period of more than 180 days;

j) the furnishing of services, including consultancy services, by an enterprise through employees or other personnel engaged by the enterprise for such purpose, but only where activities of that nature continue in the territory of the other Contracting State for a period or periods aggregating more than six months within any twelve-month period. Services furnished in connection with paragraph 3 of Article 12 shall be governed by provisions of Royalties.

3. Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall be deemed not to include:

a) the use of facilities solely for the purpose of storage or display of goods or merchandise belonging to the enterprise;

b) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of storage or display;

c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;

d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;

e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;

f) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs (a) to (e),

provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

4. Notwithstanding the provisions of paragraphs 1 and 2, where a person, other than an agent of an independent status to whom paragraph 5 applies, is acting on behalf of an enterprise of the other Contracting State, that enterprise shall be deemed to have a permanent establishment in the first-mentioned State if:

   a) he has, and habitually exercises in that State, an authority to conclude contracts on behalf of the enterprise, unless his activities are limited to those mentioned in paragraph 3 of this Article; or

   b) he has no such authority, but habitually maintains in the first-mentioned State a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the enterprise.

5. An enterprise of a Contracting State shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that other State through a broker, a general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.

6. 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 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 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 landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships and aircraft shall not be regarded as immovable property.

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

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

Article 7
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 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 are attributable to –

   a) that permanent establishment; or

b) sales within that other Contracting State of goods of similar kind as those sold through that permanent establishment; or

c) other business activities carried on in that other State of the same or similar kind as those effected through that permanent establishment.

2. Subject to the provisions of paragraph 3, 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 profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

3. In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the business 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. However no such deduction shall be allowed in respect of amounts, if any, paid (otherwise than towards reimbursement of actual expenses) by the permanent establishment to its head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission, for specific services performed or for management, or, except in the case of a banking enterprise by way of interest on monies lent to the head office of the enterprise or any of its other offices.

4. 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 apportionment of the total profits of the enterprise to its various parts, nothing in paragraph 2 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 contained in this Article.

5. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

6. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

7. Nothing in this Convention will affect the rights of the Government of Bahrain to tax income in Bahrain derived from engaging in the exploration or the production of crude oil or other natural hydrocarbons from the ground of Bahrain, or in refining crude oil in Bahrain pursuant to Legislative Amiri Decree No. 22/1979.

8. 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 8
SHIPPING AND AIR TRANSPORT

1. Profits derived by an enterprise which is a resident of a Contracting State from the operation in international traffic of ships or aircraft shall be taxable in that State.

2. Notwithstanding the provisions of paragraph 1, profits from sources within a Contracting State derived by an enterprise of the other Contracting State from the operation of ships or aircraft in international traffic may be taxed in the first-mentioned State but the tax so charged shall not exceed the lesser of:

   a) one and one-half (1½) per cent of the gross revenues derived from sources in that State; and

   b) the lowest rate that may be imposed on profits of the same kind derived under similar circumstances by a resident of a third State.

3. The provisions of paragraphs 1 and 2 shall also apply to profits derived from the participation in a pool, a joint business, or an international operating agency.

Article 9
ASSOCIATED ENTERPRISES

1. Where

   a) 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

   b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State,

   and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

2. Where a Contracting State includes in the profits of an enterprise of that State – and taxes accordingly – profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustments, due regard shall be had to the other provisions of this Convention and the competent authorities of the Contracting States shall, if necessary, consult each other.

Article 10
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 according to the laws of that State, but if the beneficial owner of the dividends is a resident of the other Contracting State, the tax so charged shall not exceed:

   a) 15 per cent of the gross amount of the dividends; or

   b) 10 per cent of the gross amount of the dividends if the beneficial owner is a company (excluding partnerships) which holds directly at least ten per cent (10%) of the capital of the paying company.

   The competent authorities of the Contracting States shall by mutual agreement, settle the mode of application of these limitations.

   This paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.

3. The term "dividends" as used in this Article means income from shares, or other rights not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the taxation law of that State of which the paying company is a resident.

4. 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 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 (Business Profits) or Article 14 (Independent Personal Services), as the case may be, shall apply.

5. Where 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 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 or a fixed base situated in that other State, nor subject the company's undistributed profits to a tax on the company's undistributed profits even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

6. Nothing in this Article shall prevent either Contracting State from imposing, apart from the corporate income tax, a tax on remittance of profits by a branch to its head office provided that the tax so imposed shall not exceed 10 per cent of the amount remitted.

7. If, under any Convention or Agreement concluded by either Contracting State, a resident of any other country is granted a lower tax rate on dividends and/or on remittances of profits by a branch to its head office, which are of the same kind and paid under similar circumstances, such lower rate shall apply under this Article.

Article 11
INCOME FROM DEBT-CLAIMS

1. Income from Debt-Claims 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 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 beneficial owner of the income from Debt-Claims is a resident of the other Contracting State, the tax so charged shall not exceed 10 per cent of the gross amount of the income from Debt-Claims. The competent authorities of the

7. 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 from Debt-Claims, 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, due regard being had to the other 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, the royalties may also be taxed in the Contracting State in which they arise 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:

   a) 15 per cent of the gross amount of royalties arising from the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films or tapes for television or broadcasting, or

   b) 10 per cent of the gross amount of royalties in all other cases.

   The competent authorities of the Contracting States shall, by mutual agreement, settle the mode of application of this limitation.

3. The term "royalties" as used in this Article means payments or credits of any kind received as a consideration for:

   a) the use of, or the right to use, any copyright, patent, design or model, plan, secret formula or process, trademark, or other like property or right;

b) the use of, or the right to use, any industrial, commercial or scientific equipment;

c) the supply of scientific, technical, industrial or commercial knowledge or information;

d) the use of, or the right to use:

(i) cinematograph or motion picture films; or
(ii) films or video tapes in connection with television; or
(iii) tapes or compact discs in connection with radio and television broadcasting; or
(iv) computer software or programs developed in connection with the use of computers.

4. The provisions of paragraphs 1 and 2 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 (a) such permanent establishment or fixed base, or with (b) business activities referred to under (c) of paragraph 1 of Article 7 (Business Profits). In such cases the provisions of Article 7 (Business Profits) or Article 14 (Independent Personal Services), as the case may be, shall apply.

5. Royalties shall be deemed to arise in a Contracting State when the payer is 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 fixed base in connection with which the obligation to pay the royalties was incurred, 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.

6. 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, due regard being had to the other provisions of this Convention.

Article 13
GAINS FROM THE ALIENATION OF PROPERTY

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

2. 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 permanent establishment (alone or with the whole enterprise) or of such fixed base may be taxed in that other State.

3. Gains from the alienation of ships or aircraft operated in international traffic by an enterprise which is a resident of a Contracting State or gains from the alienation of movable property pertaining to the operation of such ships or aircraft shall be taxable only in that State.

4. Gains from the alienation of shares of a company, the property of which consists principally of immovable property situated in a Contracting State, may be taxed in that State.

5. Gains from the alienation of any property, other than those mentioned in paragraphs 1, 2, 3 and 4 shall be taxable only in the Contracting State of which the alienator is a resident.

Article 14
INDEPENDENT PERSONAL SERVICES

1. 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. However, such income may be taxed in the other Contracting State if:

   a) he has a fixed base regularly available to him in that other Contracting State for the purpose of performing his activities, but only so much of the income as is attributable to that fixed base may be taxed in that Contracting State; or

   b) he is present in that other State for a period (or periods) exceeding in the aggregate 180 days within any twelve-month period; in that case, only so much of the income as is derived from his activities performed in that other State may be taxed in that other State.

2. 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 15
DEPENDENT PERSONAL SERVICES

1. Subject to the provisions of Articles 16 (Directors' Fees), 18 (Pensions and Social Security Benefits), 19 (Government Service), 20 (Professors and Teachers), and 21 (Students and Trainees), 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 exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

2. 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:

a) the recipient is present in the other State for a period (or periods) not exceeding in the aggregate 180 days within any twelve-month period; and

b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State; and

c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.

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

Article 16
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 State.

Article 17
ARTISTES AND ATHLETES

1. Notwithstanding the provisions of Articles 14 (Independent Personal Services), and 15 (Dependent Personal Services), income derived by a resident of a Contracting State as an entertainer, such as a theater, motion picture, radio or television artiste, or a musician, or an athlete, 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 of an entertainer or an athlete in his capacity as such accrues not to that entertainer or athlete himself but to another person, that income may, notwithstanding the provisions of Articles 7 (Business Profits), 14 (Independent Personal Services), and 15 (Dependent Personal Services), be taxed in the Contracting State in which the activities of the entertainer or athlete are exercised.

3. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, income derived in respect of the activities referred to in paragraph 1 of this Article within the framework of cultural or sports exchange programmes agreed to by both Contracting States, substantially supported by public funds and/or officially recognized and endorsed by a Contracting State, shall be exempted from taxation in the Contracting State in which these activities are exercised.

Article 18
PENSIONS AND SOCIAL SECURITY BENEFITS

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

Article 19
GOVERNMENT SERVICE

1. Remuneration, other than a pension, paid by a Contracting State or a political subdivision or local authority thereof to an individual in respect of services rendered to that State or a political subdivision or local authority thereof, shall be taxable only in that State.

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

3. The provisions of Articles 15 (Dependent Personal Services), 16 (Directors' Fees) and 18 (Pensions and Social Security Benefits) shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof.

Article 20
PROFESSORS AND TEACHERS

1. Remuneration which a professor or a teacher, who is a resident of one of the Contracting States and who visits the other Contracting State for a period not exceeding two years for the purpose of teaching or carrying out advanced study or research at a university, college, school or other educational institution, receives for those activities shall be taxable only in the first-mentioned State.

2. This Article shall not apply to remuneration which a professor or a teacher receives for conducting research if the research is undertaken primarily for the private benefit of a specific person or persons.

3. For the purposes of paragraph 1 of this Article, the term "remuneration" shall include remittance from sources outside the other Contracting State sent to enable the professor or teacher to carry out the purposes referred to in paragraph 1.

Article 21
STUDENTS AND TRAINEES

An individual who was a resident of a Contracting State immediately before visiting the other Contracting State and is temporarily present in that State solely as a student at a university, college or other similar educational institution or as a trainee for the purpose of acquiring technical, professional or business experience shall be exempt from tax in that other State on:

a) all remittances from abroad for purposes of his maintenance or training, and

b) for an aggregate period of not more than two years from the date of his first arrival, on any remuneration, provided such services are in connection with his training or incidental thereto.

Article 22
OTHER INCOME

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

2. The provisions of paragraph 1 shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6 (Income from Immovable Property), 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 in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 (Business Profits) or Article 13 (Independent Personal Services), as the case may be, shall apply.

3. Notwithstanding the provisions of paragraphs 1 and 2, items of income of a resident of a Contracting State not dealt with in the foregoing Articles of this Convention and arising in the other Contracting State may be taxed in that other State.

Article 23
MISCELLANEOUS PROVISIONS

1. Nothing in this Convention shall prevent the application of a more favourable tax treatment which might be extended to foreign investments under the legislation of either of the Contracting States.

2. Individuals who are residents of a Contracting State having at their disposal one or more residences for their private use in the other Contracting State without having their fiscal domicile therein under their respective laws, shall be taxed only on their actual rental income realized from this or these residences.

Article 24
ELIMINATION OF DOUBLE TAXATION

1. In Bahrain, in accordance with the provisions of the laws of Bahrain where a resident of Bahrain derives income which in accordance with the provisions of this Agreement may be taxed in the Philippines then Bahrain shall allow as a deduction from the tax on income of that person an amount equal to the tax on income paid in the Philippines before the deduction is given, which is attributable to the income which may be taxed in Bahrain.

2. In the Philippines, double taxation shall be eliminated as follows:

   Subject to the laws of the Philippines and the limitations thereof regarding the allowance of a credit against Philippine tax of tax payable in any country other than the Philippines, Bahraini tax payable in respect of income derived from Bahrain shall be allowed as credit against the Philippine tax payable in respect of that income.

Article 25
NON-DISCRIMINATION

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected

therewith which is other or more burdensome than the taxation and connected requirements to which nationals of that other Contracting State in the same circumstances are or may be subjected.

2. 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 in that other State than the taxation levied on enterprises of that other State carrying on the same activities.

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

3. Except where the provisions of paragraph 1 of Article 9 (Associated Enterprises), paragraph 7 of Article 11 (Income from Debt-claims), or paragraph 6 of Article 12 (Royalties) apply, income from debt-claims, royalties, 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 profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State.

4. 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.

Article 26
MUTUAL AGREEMENT PROCEDURE

1. Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic 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 25 (Non-Discrimination), to that Contracting State of which he is a national. The case must be presented within two years from the first notification of the action which gives rise to taxation not in accordance with the provisions of the Convention.

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

3. 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.

4. 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 bilateral procedures, conditions, methods and techniques for the implementation of the mutual agreement procedure provided for in this Article.

Article 27
DIPLOMATIC AGENTS AND CONSULAR OFFICERS

Nothing in this Convention shall affect the fiscal privileges of diplomatic agents and consular officers under the general rules of international law or under the provisions of special agreements.

Article 28
ENTRY INTO FORCE

1. Each of the Contracting States shall notify the other, through diplomatic channels, of the completion of the procedures required by its law for the entry into force of this Convention.

2. This Convention shall enter into force on the day of the later of the notifications referred to in paragraph 1 and its provisions shall have effect:

   a) in respect of tax withheld at source, on income paid to non-residents on or after the first day of January in the calendar year next following that in which the Convention enters into force; and

   b) in respect of other taxes, on income for any taxable year beginning on or after the first day of January in the calendar year next following that in which the Convention enters into force.

Article 29
TERMINATION

This Convention shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Convention, through diplomatic channels, by giving written notice of termination at least six months before the end of any calendar year following after the period of five years from the date on which the Convention enters into force. In such event, the Convention shall cease to have effect:

a) in respect of tax withheld at source, on income paid to non-residents on or after the first day of January in the calendar year next following that in which the notice is given; and

b) in respect of other taxes, on income in any taxable year beginning on or after the first day of January in the calendar year next following that in which the notice is given.

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

DONE in duplicate at Manila this 7th of November 2001 in the English and Arabic languages, both texts being equally authoritative. In case there is any divergence of interpretation between the English and Arabic texts, the English text shall prevail.

FOR THE GOVERNMENT OF THE STATE OF BAHRAIN	FOR THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES
ABDULLAH HASSAN SAIF Minister of Finance and National Economy	JOSE ISIDRO N. CAMACHO Secretary of Finance

PROTOCOL

On signing the Convention between the State of Bahrain and the Republic of the Philippines for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital, the Contracting States have, in addition, agreed on the following provision which shall be regarded as an integral part of the said Convention.

If after the signature of the Convention, under any Convention or Agreement for the Avoidance of Double Taxation between Bahrain and a third country, provision is made for exchange of information, then as from the date on which the relevant Bahraini Convention or Agreement enters into force the same provisions as provided for in that Convention or Agreement shall also apply under this Convention.

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

DONE in duplicate at Manila this 7th of November 2001 in the English and Arabic languages, both texts being equally authoritative. In case there is any divergence of interpretation between the English and Arabic texts, the English text shall prevail.

FOR THE GOVERNMENT OF THE STATE OF BAHRAIN	FOR THE GOVERNMENT OF THE REPUBLIC OF THE PHILIPPINES
ABDULLAH HASSAN SAIF Minister of Finance and National Economy	JOSE ISIDRO N. CAMACHO Secretary of Finance