

No. 31408

**FRANCE
and
BAHRAIN**

**Convention for the avoidance of double taxation. Signed at
Manama on 10 May 1993**

Authentic texts: French and Arabic.

Registered by France on 1 December 1994.

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Enregistrée par la France le 1^{er} décembre 1994.

[TRANSLATION — TRADUCTION]

CONVENTION¹ BETWEEN THE GOVERNMENT OF THE FRENCH
REPUBLIC AND THE GOVERNMENT OF THE STATE OF
BAHRAIN FOR THE AVOIDANCE OF DOUBLE TAXATION

The Government of the French Republic and the Government of the State of Bahrain, desiring to conclude a convention for the avoidance of double taxation, have agreed as follows:

Article 1. PERSONAL SCOPE

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

Article 2. TAXES COVERED

1. The taxes to which this Convention shall apply are:

(a) In France:

- The income tax;
 - The corporation tax;
 - The capital tax;
 - The inheritance tax;
 - The personal-services tax, solely within the scope of article 7, paragraph 1;
 - Any withholding tax, prepayment (*précompte*) or advance payment with respect to the aforesaid taxes;
- (hereinafter referred to as “French tax”).

(b) In Bahrain:

- The company income tax;
- Any taxes on total income or on elements of income, including gains from the alienation of movable or immovable property; any taxes on wealth, any inheritance tax and any other taxes which are similar to those to which this Convention applies in the case of France;

(hereinafter referred to as “Bahrain tax”).

2. The Convention shall also apply to any identical or substantially similar taxes which are imposed after the date of signature of the Convention in addition to, or in place of, the taxes covered in paragraph 1. The competent authorities of the Contracting States shall notify each other of significant changes which have been made in their respective taxation laws.

¹ Came into force on 1 August 1994, i.e., the first day of the second month following the date of receipt of the last of the notifications (of 5 May and 4 June 1994) by which the Contracting Parties had informed each other of the completion of the required procedures, in accordance with article 24 (1).

Article 3. GENERAL DEFINITIONS

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

(a) The terms “a Contracting State” and “the other Contracting State” mean, according to the case, the French Republic (referred to as “France”) or the State of Bahrain (referred to as “Bahrain”);

(b) The term “person” includes individuals, companies, and any other body of persons;

(c) The term “company” means any body corporate or any entity which is treated as a body corporate for tax purposes;

(d) 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 or aircraft operated by an enterprise which has its place of effective management in a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;

(f) The term “competent authority” means:

- (i) In France, the Minister for the Budget or his authorised representative;
- (ii) In Bahrain, the Minister of Finance and National Economy, or his authorized representative.

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

Article 4. RESIDENT

1. For the purposes of this Convention, the term “resident of a Contracting State” means that State and its political subdivisions and local authorities, their corporate bodies governed by public law, and:

(a) With regard to France, any person who, under French laws, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature;

(b) With regard to Bahrain, any person who has his residence or place of management in Bahrain or who, under the laws of Bahrain, is liable to tax therein after the date of signature of the Convention, by reason of his domicile, residence, place of management or any other criterion of a similar nature.

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 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);

(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 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 of the Contracting 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 by reason of the provisions of paragraph 1 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 5. 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 private law respecting landed property apply 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, boats 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. Where the ownership of stocks, shares or other rights in a company or other legal entity entitles the owner to the enjoyment of immovable property situated in a Contracting State and held by that company or other legal entity, the income which the owner derives from the direct use, letting or use in any other form of his right of enjoyment may be taxed in that State.

5. The provisions of paragraphs 1, 3 and 4 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 6. 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 is attributable to that permanent establishment.

2. Income derived by a company which is a resident of France directly from the exploration for or the production on its own behalf of crude petroleum or other natural hydrocarbons whose deposits are located in Bahrain may be taxed in Bahrain in accordance with the laws of that State relating to income tax.

3. 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 in particular:

- (a) A place of management;
- (b) A branch;
- (c) An office;
- (d) A factory;
- (e) A workshop; and
- (f) A mine, a petroleum or gas well, a quarry or any other place of extraction of natural resources.

C. A building site or an assembly project constitutes a permanent establishment only if it lasts more than six months.

D. Notwithstanding the preceding provisions of this paragraph, a “permanent establishment” shall be deemed not to exist if:

(a) Facilities are used solely for the purpose of storage, display or delivery of the goods or merchandise belonging to the enterprise;

(b) The goods or merchandise belonging to the enterprise are stocked solely for the purposes of storage, display or delivery;

(c) The goods or merchandise belonging to the enterprise are stocked for the sole purpose of processing by another enterprise;

(d) A fixed place of business is used solely for the purpose of purchasing goods or merchandise or of collecting information for the enterprise;

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

(f) A fixed place of business is used solely for any combination of activities mentioned in subparagraphs (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.

E. Notwithstanding the provisions of paragraphs A and B, where a person — other than an agent of an independent status to whom the provisions of paragraph F apply — is acting 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 that person are limited to those mentioned in paragraph D which, if exercised through a fixed place of business, would not make this place of business a permanent establishment under the provisions of paragraph D.

F. An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carried 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.

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 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.

4. Subject to the provisions of paragraph 5, 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.

5. In the determination of 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 the head office of the enterprise or to any of its other establishments, 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 moneys lent to the permanent establishment.

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

Article 7. SHIPPING AND AIR TRANSPORT

1. (a) Income derived by a French enterprise from the operation of aircraft in international traffic, including incidental income from such operation, shall be exempt in Bahrain from the taxes mentioned in article 2, including any tax similar to the personal-services tax.

(b) Income derived by a Bahraini enterprise from the operation of aircraft in international traffic, including incidental income from such operation, shall be exempt in France from the taxes mentioned in article 2. Such an enterprise shall be exempt from the personal-services tax due in France in respect of that operation.

2. (a) Income from the operation of ships in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

(b) Notwithstanding the provisions of paragraph (a), income from the operation of ships in international traffic by a company, including a partnership, which is a resident of a Contracting State, and more than 50 per cent of whose capital is owned, directly or indirectly, by persons who are not residents of that State, may be taxed in the other Contracting State, if the company has a permanent establishment there.

3. If the place of effective management of a shipping enterprise is aboard a ship, then it shall be deemed to be situated in the Contracting State in which the home harbour of the ship is situated, or, if there is no such home harbour, in the Contracting State of which the operator of the ship is a resident.

4. The provisions of the preceding paragraphs shall also apply to profits from participation in a pool, a joint business or an international operating agency.

Article 8. DIVIDENDS

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State shall be taxable only in that other State.

2. A resident of Bahrain who receives dividends paid by a company which is a resident of France may obtain a refund of the prepayment (*Précompte*) relating to such dividends, in the event it has been paid by such company. The gross amount of the prepayment refunded shall be deemed to be dividends for the purposes of the application of all the provisions of this Convention.

3. Notwithstanding the other provisions of this Convention, the term “dividends” means income from shares, “jouissance” shares or “jouissance” rights, mining shares, founders’ shares or other rights, not being debt-claims, as well as income subjected to the arrangements for distribution by the taxation laws of the Contracting State of which the company making the distribution 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 6 or article 12 shall apply.

Article 9. INCOME FROM DEBT-CLAIMS

1. Income from debt-claims arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State.

2. The term “income from debt-claims” as used in this article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor’s profits, and, in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures.

3. The provisions of paragraph 1 shall not apply if the beneficial owner of income from debt-claims, being a resident of a Contracting State, carries on business in the other Contracting State in which the income is generated, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the debt-claim 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 6 or article 12 shall apply.

Article 10. ROYALTIES

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State.

2. 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 cinematographic films, work used for radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience.

3. The provisions of paragraph 1 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 6 or article 12 shall apply.

Article 11. CAPITAL GAINS

1. (a) Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in article 5 and situated in the other Contracting State may be taxed in that other State.

(b) Gains from the alienation of shares or other rights in a company over 80 per cent of whose assets consist of immovable property or rights to such property may be taxed in the Contracting State where that immovable property is situated when, under the laws of that State, such gains are subject to the same taxation treatment as gains from the alienation of immovable property. In the application of this provision, immovable property used by that company for its own industrial, commercial or agricultural activity or for the performance of non-commercial personal services shall be excluded from consideration.

2. Gains from the alienation of any property other than that referred to in paragraph 1 shall be taxable only in the Contracting State of which the alienator is a resident, unless the property in respect of whose alienation the gain arises is effectively connected with business carried on in the other Contracting State through a permanent establishment situated therein or with independent personal services performed in that other State by the alienator from a fixed base situated therein.

3. Notwithstanding the provisions of paragraph 2, gains from the alienation of shares or rights constituting a substantial participation in a company may be taxed in the Contracting State of which the company is a resident. Participation shall be considered to be substantial when the alienator holds, directly or indirectly, shares or rights which, together, provide an entitlement to more than 25 per cent of the company's profits.

Article 12. 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, unless he has a fixed base regularly available to him in the other State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in that other State, but only so much of its as is attributable to that fixed base.

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 13. DEPENDENT PERSONAL SERVICES

1. Subject to the provisions of articles 14, 15 and 16, 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 that other State for a period or periods not exceeding in the aggregate 183 days in the fiscal year concerned, and

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

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

3. Subject to the provisions of articles 15 and 16, any remuneration derived in respect of his activities by a teacher or researcher who immediately before visiting one Contracting State is or was a resident of the other Contracting State and who is present in the first-mentioned State for the sole purpose of teaching or carrying on research there shall be taxable only in that other State. This provision shall apply for a period not exceeding 24 months from the date of first arrival of the teacher or researcher in the first-mentioned State in order to teach or carry on research there.

4. Notwithstanding the preceding provisions of this article, remuneration derived by a resident of a Contracting State in respect of an employment exercised aboard a ship or aircraft operated in international traffic shall be taxable only in that State.

Article 14. PENSIONS

1. Subject to the provisions of article 15, pensions and other similar remuneration paid to a resident of a Contracting State in respect of past employment shall be taxable only in that State.

2. Notwithstanding the provisions of paragraph 1, pensions paid and other payments made under the social-security laws of a State may be taxed in that State.

Article 15. GOVERNMENT SERVICE

1. Remuneration, other than a pension, paid by a Contracting State or one of its political subdivisions or local authorities, or by one of their corporate bodies governed by public law, to an individual in respect of services rendered to that State, subdivision, local authority or corporate body shall be taxable only in that State.

2. Any pension paid by, or out of funds created by, a Contracting State or one of its political subdivisions, or local authorities, or by one of their corporate bodies governed by public law, to an individual in respect of services rendered to that State, subdivision, local authority or corporate body shall be taxable only in that State.

3. The provisions of articles 13 and 14 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a

Contracting State or one of its political subdivisions or local authorities, or by one of their corporate bodies governed by public law.

Article 16. STUDENTS

1. Payments which a student or business apprentice who is, or was immediately before visiting a Contracting State, a resident of the other Contracting State and who is present in the first mentioned State solely for the purpose of his education or training received for the purpose of his maintenance, education or training shall not be taxed in that State, provided that such payments arise from sources outside that State.

2. Remuneration which a student or business apprentice who is, or was immediately before visiting a Contracting State, a resident of the other Contracting State and who is present in the first-mentioned State solely for the purpose of his education or training derives in respect of services rendered in the first-mentioned State shall not be taxed in that State, provided that such services are in connection with his education or training or that the remuneration for such services is necessary to supplement the resources available to him for the purpose of his maintenance.

Article 17. CAPITAL

1. Capital represented by immovable property referred to in article 5, owned by a resident of a Contracting State and situated in the other Contracting State, may be taxed in that other State if the value of that immovable property exceeds the total value of the following elements of the capital owned by that resident;

(a) Shares (other than those referred to in paragraph 3) issued by a company which is a resident of the Contracting State in which the immovable property is situated, provided that such shares are listed on a stock exchange controlled by that State, or that the company is a unit trust registered with the public authorities of that State;

(b) Debt-claims on the Contracting State in which the immovable property is situated, on its political subdivisions or local authorities, on its public institutions or State-owned corporations, or on a company which is a resident of that State and whose shares are listed on a stock exchange controlled by that State.

2. For the purposes of paragraph 1, shares or other rights in a company over 50 per cent of whose assets consist of immovable property or rights to such property situated in a Contracting State shall be considered to be immovable property situated in that State. However, immovable property used by that company for its own industrial, commercial or agricultural activity, or for the performance of non-commercial personal services, shall be excluded from consideration in the determination of the above percentage. Furthermore, shares in listed companies and rights in real-estate companies dealing with commercial and industrial property shall not be considered to be immovable property for the purposes of this paragraph, whatever the composition of those companies' assets.

3. The capital represented by shares or rights constituting a substantial participation in a company — other than a company referred to in paragraph 2 — which is a resident of a Contracting State may be taxed in that State. A person shall be considered as holding a substantial participation when he possesses, directly or

indirectly, alone or with related persons, shares or rights which, together, provide an entitlement to more than 25 per cent of that company's profits.

4. Subject to the provisions of paragraphs 1 and 3, the capital owned by the resident of a Contracting State shall be taxable only in that State.

5. Notwithstanding the provisions of the preceding paragraphs of this article, for the purpose of imposing the capital tax provided for in article 2, paragraph 1, on an individual who is a resident of France and a citizen of Bahrain without French nationality, the assets situated outside France which that individual owns on 1 January of each of the five years following the calendar year during which he became a resident of France shall not be subject to the capital tax relating to each of those five years.

6. In the event that France, as a consequence of any agreement or convention, or any amendment to an agreement or convention, concluded subsequent to the signature of the present Convention between France and a third party which is a member of the Gulf Cooperation Council, grants more favourable regulations, with regard to the provisions of this article, than those accorded to Bahrain under this Convention, the same favourable regulations shall automatically apply to the residents of Bahrain in the framework of this Convention with effect from the date of entry into force of the relevant French convention, agreement or amendment.

7. It shall be understood that:

(a) In the absence of any conflict with the provisions of paragraphs 1 and 4, the capital represented by immovable property owned by a resident of a Contracting State and situated in the other Contracting State may be taxed in that other State if the capital represented by the shares or debt-claims referred to in paragraph 1 is not of a permanent nature;

(b) The term "value" used in paragraph 1 applies to the gross value before the deduction of debts;

(c) For the purposes of the application of the Convention by a Contracting State, the capital or property that renders a person liable for tax under the domestic law of that State shall be considered to be owned by that person;

(d) In order to be eligible in a Contracting State for the tax exemption resulting from the provisions of paragraph 1, the taxpayer must sign the capital declaration provided for by the domestic law of that State and prove that he satisfies the requisite conditions for such exemption.

Article 18. INHERITANCES

1. Immovable property shall be subject to the inheritance tax only in the Contracting State where it is situated.

2. Tangible or intangible movable property which is effectively connected with business carried on in a Contracting State through a permanent establishment situated therein or with independent personal services performed through a fixed base situated therein shall be subject to the inheritance tax only in that State.

3. Tangible or intangible movable property (including shares, bonds and deposits) to which paragraph 2 of this article does not apply shall be subject to the inheritance tax only in the Contracting State where the deceased was a resident at the time of death.

Article 19. SPECIAL PROVISIONS

1. Investments made by one Contracting State in the other Contracting State (including those of the Central Bank and of public institutions) and the income derived from such investments (including gains from their alienation) shall be exempt from tax in that other State. The provisions of this paragraph shall not apply to immovable property or the income derived therefrom.

2. Nothing in this Convention shall prevent the application of more favourable tax regulations which may be provided for by French domestic laws governing foreign public investment.

3. Individuals who are residents of Bahrain and have one or more places of accommodation available to them for their private use in France without being domiciled there for taxation purposes under French law shall be exempt from the income tax levied on the basis of the rental value of such place or places of accommodation.

4. Subject to the relevant provisions of French taxation laws, interest, royalties and other disbursement paid by an enterprise of one Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of that enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State.

5. If a person who is a resident of a Contracting State under the domestic law of that State is considered to be a resident of the other Contracting State on the basis of the nationality criterion set forth in article 4, paragraph 2 (c), the first-mentioned State may refuse to grant that person the tax exemptions or reliefs accorded by the Convention to the residents of the other State, but shall nevertheless treat that person as a non-resident in the application of its domestic law.

6. In respect of the income components referred to in articles 8, 9, 10 or 11, the provisions of the Convention shall not be applicable to a resident of Bahrain who is not liable to tax there on the income components under consideration, unless that resident is:

(a) A company over 50 per cent of whose shares or other rights are directly or indirectly owned by States members of the Gulf Cooperation Council or by political subdivisions or local authorities, public institutions or citizens of the States members of that Council; or

(b) A citizen of a State member of that Council.

7. It is understood that the provisions of the Convention shall in no way prevent a Contracting State from applying the provisions of its domestic taxation laws governing profits indirectly transferred, including through increases or reductions in purchase or sale prices.

Article 20. ELIMINATION OF DOUBLE TAXATION

1. In the case of France:

(a) (i) Profits and other positive income from Bahrain which are taxable there in accordance with the provisions of this Convention may also be taxed in France if they accrue to a resident of France. Tax paid in Bahrain shall not be deductible for the computation of taxable income in France, but the recipient shall have a right to

a tax credit attributable to the French tax in the base of which such income is included;

(ii) In respect of the income referred to in articles 6, 11 and 12, such tax credit shall be equal to the amount of tax paid in Bahrain in accordance with the provisions of the Convention; it shall not, however, exceed the amount of French tax payable on that income;

(iii) In respect of other income, such tax credit shall be equal to the amount of French tax corresponding to such income; this provision shall also apply to the remuneration referred to in article 15 if the recipient is a resident of France;

(b) (i) Where a person who is a resident of Bahrain is a resident of France for tax purposes under French domestic law, the income of that person may be taxed in France notwithstanding any other provision of the Convention. In such case, France shall allow against French taxes on such income a tax credit calculated in accordance with the provisions of subparagraphs (a), (i) and (a), (ii). The provisions of this subparagraph (b), (i) shall not apply to individuals who are nationals of Bahrain;

(ii) Where a person who is a resident of Bahrain is a company which is directly or indirectly controlled or partly owned by a company with its headquarters in France, that portion of the income of the first-mentioned company corresponding to the direct or indirect rights held in that company by the French company may be taxed in France notwithstanding any other provision of the Convention. In such case, France shall allow against French taxes on such income a tax credit calculated in accordance with the provisions of subparagraphs (a), (i) and (a), (ii);

(c) A resident of France who has capital taxable in Bahrain in accordance with the provisions of article 17 may also be taxed on such capital in France. The French tax shall be calculated after the deduction of a tax credit equal to the amount of tax paid in Bahrain on that capital. Such credit may not, however, exceed the French tax corresponding to such capital;

(d) Notwithstanding the provisions of article 18, the French inheritance tax which applies to property included in the inheritance of a resident of France shall be calculated, for property taxable in France under the Convention, in accordance with the rates applicable to all property taxable under French domestic law.

2. In the case of Bahrain, double taxation shall be avoided by the application of the provisions of Bahraini law.

Article 21. 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 law of those States, present his case to the competent authority of the Contracting State of which he is a resident. The case must be presented within two years from the first notification of the action resulting in 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 States.

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 the 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. When it seems advisable in order to reach agreement to have an oral exchange of opinions, such exchange may take place through a commission consisting of representatives of the competent authorities of the Contracting States.

5. The competent authorities of the Contracting States shall by mutual agreement, and as needed, settle the mode of application of the Convention and, especially, the requirements to which the residents of a Contracting State shall be subjected in order to obtain, in the other Contracting State, the tax reliefs or exemptions provided for by the Convention.

Article 22. DIPLOMATIC AGENTS AND CONSULAR OFFICERS

Nothing in this Convention shall affect the fiscal privileges of members of diplomatic missions and their personal domestics, of members of consular missions, or of members of permanent missions to international organizations under the general rules of international law or under the provisions of special agreements.

Article 23. TERRITORIAL SCOPE

1. This Convention shall apply:

(a) In the case of France, to the European and overseas departments of the French Republic, including territorial waters and any area beyond the territorial waters over which, in accordance with international law, the French Republic has sovereign rights with respect to the exploration and exploitation of the resources of the seabed and the subsoil thereof and of the superjacent waters;

(b) In the case of Bahrain, to the territory of the State of Bahrain and the islands belonging thereto, including territorial waters and any area beyond the territorial waters over which, in accordance with international law, the State of Bahrain has sovereign rights with respect to the exploration and exploitation of the resources of the seabed and the subsoil thereof and of the superjacent waters.

2. The Convention may be extended, either in its present form or with any necessary amendments, to the overseas territories and other territorial entities of the French Republic which levy taxes substantially similar to those to which the Convention applies. Any such extension shall take effect from such date and subject to such amendments and conditions, including conditions relating to termination, as are decided by mutual agreement between the Contracting States through the exchange of diplomatic notes or by any other procedure in keeping with their constitutional provisions.

3. Unless otherwise agreed by the two Contracting States, the termination of the Convention by one of them under article 24 shall also terminate, under the conditions provided for in that article, the application of the Convention to any territory or other entity to which it has been extended under this article.

Article 24. ENTRY INTO FORCE AND TERMINATION

1. Each of the Contracting States shall notify the other of the completion of the procedures required for the entry into force of this Convention. The Convention shall enter into force on the first day of the second month following the date on which the latter of such notifications is received.

2. The provisions of the Convention shall apply for the first time:

(a) In respect of taxes withheld at source, to amounts payable on or after the date of entry into force of the Convention;

(b) In respect of other taxes on income, to income relating to the calendar year in which the Convention enters into force, or to the financial year which concludes in the course of that year;

(c) In respect of the inheritance tax, to the estates of persons deceased on or after the date on which the Convention enters into force;

(d) In respect of the capital tax, to capital owned on 1 January 1989;

(e) In respect of the personal-services tax, to the tax imposed for the year in which the Convention enters into force.

3. The Convention shall remain in force until such time as it is terminated by a Contracting State. Either State may, by giving at least six months' notice through the diplomatic channel, terminate the Convention for the end of any calendar year after the year 1995. In such case, the Convention shall apply for the last time;

(a) In respect of taxes withheld at source, to amounts payable on or before 31 December of the calendar year for the end of which notice of termination has been given;

(b) In respect of other taxes on income, to income relating to the calendar year for the end of which notice of termination has been given or to the financial year which concludes in the course of that year;

(c) In respect of the inheritance tax, to the estates of persons deceased on or before 31 December of the calendar year for the end of which notice of termination has been given;

(d) In respect of the capital tax, to capital owned on 1 January of the calendar year for the end of which notice of termination has been given;

(e) In respect of the personal-services tax, to the tax imposed for the year for the end of which notice of termination has been given.

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

DONE at Manama, on 10 May 1993, in duplicate, in the French and Arabic languages, both texts being equally authentic.

For the Government
of the French Republic:

ALBERT PAVEC

For the Government
of the State of Bahrain:

ABDEL KERIM MOHAMMED