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**CONVENTION
BETWEEN
THE UNITED ARAB REPUBLIC
AND
THE REPUBLIC OF IRAQ
FOR
THE AVOIDANCE OF DOUBLE TAXATION AND
THE PREVENTION OF FISCAL EVASION
WITH RESPECT TO TAXES ON INCOME AND ON
CAPITAL**

Between the Government of the United Arab Republic and the Government of the Republic of Iraq relating to avoiding Double Taxation and preventing Evasion of Tax on income and capital.

Chapter I
SCOPE OF THE CONVENTION

ARTICLE 1

TAXES COVERED

1. This Convention shall apply to taxes on income and on capital imposed on behalf of each 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 all taxes imposed on total income or on elements of income including taxes on gains from the alienation of movable or immovable property, as well as taxes on capital appreciation. Taxes imposed on capital are the inheritance taxes and estate duties.
3. The existing taxes to which the Convention shall apply are in particular:
 - a) in the case of **Iraq**:
 - (1) income tax;
 - (2) national defence tax;
 - (3) property tax;
 - (4) agricultural land tax;
 - (5) estate duty
(hereinafter referred to as "Republic of Iraq tax");
 - b) in the case of **the United Arab Republic**:
 - (1) property tax including the "mud tax", building tax and guard tax;
 - (2) tax on income from movable capital;
 - (3) commercial and industrial profits tax;
 - (4) tax on wages, salaries, remunerations and pensions;
 - (5) tax on the profits from a profession and other non-commercial occupations;
 - (6) general tax on income;
 - (7) defence tax;
 - (8) national security tax;
 - (9) inheritance tax and estate duty;
 - (10) supplementary taxes imposed as a percentage of the taxes mentioned above or otherwise
(hereinafter referred to as "United Arab Republic tax").
4. The Convention shall also apply to any identical or substantially similar taxes which are subsequently imposed in addition to, or in place of, the existing taxes.
5. At the end of each year, the competent authorities of the Contracting States shall notify to each other any changes which have been made in their respective taxation laws.

Chapter II DEFINITIONS

ARTICLE 2

GENERAL DEFINITIONS

1. In this Convention, unless the context otherwise requires:
 - (a) the term "**Iraq**" means the Republic of Iraq;
 - (b) the term "**United Arab Republic**" means Egypt;
 - (c) the terms "a Contracting State" and "the other Contracting State" mean Iraq or the United Arab Republic, as the context requires;
 - (d) the term "tax" means Republic of Iraq tax or United Arab Republic tax, as the context requires;
 - (e) the term "person" includes individuals, companies and all other entities treated as taxable units under the tax laws in force in either Contracting State;
 - (f) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes;
 - (g) 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;
 - (h) the term "competent authorities" means in the case of Iraq, the Ministry of Finance; and in the case of the United Arab Republic, the Ministry of Treasury.
2. As regards the application of the Convention by a Contracting State any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting State relating to the taxes which are the subject of the Convention.

ARTICLE 3

FISCAL DOMICILE

1. For the purpose of this Convention, the term "resident of a Contracting State" means any person who, under the law of that State, is deemed resident therein for taxation purposes.
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 by the provisions of this Convention.

3. In the case of income not specified in this Convention, the competent authorities of the Contracting States shall confer and agree in which State a person is deemed resident for taxation purposes.

ARTICLE 4

PERMANENT ESTABLISHMENT

1. The term "permanent establishment" means:
 - a) a place of management;
 - b) a branch;
 - c) an office
 - d) a factory;
 - e) a workshop;
 - f) a mine, quarry or other place of extraction of natural resources;
 - g) a farm, field or storage place;
 - h) a building site or construction or assembly project which exists for more than four months.
3. The term "permanent establishment" shall not be deemed to include:
 - a) the use of facilities solely for the purpose of storage, display or delivery 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, display or delivery;
 - 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 for collecting information, for the enterprise;
 - e) the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research or for similar activities, which have a preparatory or auxiliary character, for the enterprise.
4. A person acting in a Contracting State on behalf of an enterprise of the other Contracting State - other than an agent of an independent status to whom paragraph 5 applies - shall be deemed to be a permanent establishment in the first-mentioned State if he has, and habitually exercises in that State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for 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, general commission agent or any other agent of an independent status, where such persons are acting in the ordinary course of their business.
6. The fact that a company which is a resident of the other 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.

Chapter III
TAXATION OF INCOME

ARTICLE 5

INCOME FROM IMMOVABLE PROPERTY

1. Income from immovable property may be taxed in the Contracting State in which such property is situated.
2. The term "immovable property" shall be defined in accordance with 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, 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, 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. 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 professional services.

ARTICLE 6

BUSINESS PROFITS

1. The profits of an enterprise of a Contracting State shall be taxable only in that State.
2. If the enterprise carries on business in one of the Contracting States through a permanent establishment situated therein, the profits of the enterprise may be taxed in that State but only so much of them as are attributable to that permanent establishment. The profits attributed may be those which the permanent establishment 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 the determination of the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.

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 an 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 laid down in this Article.
5. 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.
6. 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 7

SHIPPING AND AIR TRANSPORT

1. Profits from the operation of ships or aircraft in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.
2. The provisions of paragraph 1 shall likewise apply to profits arising from participation in shipping or aircraft pools of any kind by such enterprises engaged in shipping or air transport.
3. The agreement dated 13 May 1965 between Iraq and the United Arab Republic relating to reciprocal exemptions from income tax on profits derived from air transport shall cease to have effect in the period covered by this Convention.

ARTICLE 8

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 under Article 5, 6 and 7 of this Convention.

2. If the information available to the taxation authority concerned is inadequate to determine, for the purposes of paragraph 1 of this Article, the profits which might be expected to accrue to an enterprise, nothing in that paragraph shall affect the application of the law of either territory in relation to the liability of that enterprise to pay tax on an amount determined by the exercise of a discretion or the making of an estimate by the taxation authority of that territory. Provided that such discretion shall be exercised or such estimate shall be made, so far as the information available to the taxation authority permits, in accordance with the principle stated in that paragraph.

ARTICLE 9

DIVIDENDS

Dividends paid by a company resident in one of the Contracting States to a resident of the other Contracting State may be taxed in the first Contracting State in accordance with the laws of that State, unless the dividends paid relate to a permanent establishment in one of the Contracting States in which case Article 6 is applicable.

ARTICLE 10

INTEREST

1. Interest paid by a resident of Iraq to a resident of the United Arab Republic shall not be subject to tax in Iraq at a rate exceeding 10 % plus the national defence tax.
2. Interest payable by a resident of the United Arab Republic to a resident of Iraq is subject to the tax on income derived from movable capital, the defence tax, the national security tax and the supplementary taxes. If paid to a natural person, the general income tax will not be imposed.
3. Interest is deemed to have arisen in one of the Contracting States when the payer is that Contracting State itself, a local government or a resident of that Contracting State.
4. The term "interest" as used in this Article includes income from Government securities, bonds or debentures and whether or not carrying a right to participate in profits, and other debt-claims of every kind as well as all other income assimilated to income from money lent by the taxation law of the State in which the income arises.
5. The provisions of paragraphs 1 and 2 shall not apply if the recipient of the interest, being a resident of a Contracting State, has in the other Contracting State in which the interest arises a permanent establishment with which the debt-claim from which the interest arises is effectively connected. In such a case, Article 6 shall apply.

6. Where, owing to a special relationship between the payer and the recipient or between both of them and some other person, the amount of the interest paid, 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 recipient in the absence of such relationship, the provisions of this Article shall apply only to the last mentioned amount. In that case, the excess part of the payments shall remain taxable according to the law of each Contracting State.

ARTICLE 11

ROYALTIES

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in the first mentioned State at a rate equal to half that of the applicable tax rate.
2. The term "royalties" as used in this Article means payments of any kind received as consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work, any patent, trade mark, design or model, plan, secret formula or process, or for the use of, or the right to use, industrial, commercial or scientific equipment or for information concerning industrial, commercial or scientific experience or printing or rents in respect of cinematographic films.
3. The provisions of paragraph 1 shall not apply if the recipient of the royalties, being a resident of a Contracting State, has in the other Contracting State in which the royalties arise a permanent establishment with which the right or property giving rise to the royalties is effectively connected. In such a case, Article 6 shall apply.

ARTICLE 12

CAPITAL GAINS

1. Gains from the alienation of immovable property, as defined in paragraph 2 of Article 5, may be taxed in the Contracting State in which such property is situated.
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 professional services, including such gains from the alienation of such a permanent establishment (alone or together with the whole enterprise) or of such a fixed base, may be taxed in the other State. However, gains from the alienation of movable property of the kind referred to in paragraph 1 of Article 7 shall be taxable only in the Contracting State in which such movable property is taxable according to the said Article.
3. Gains from the alienation of any property other than those mentioned in paragraphs 1 and 2 shall be taxable only in the Contracting State of which the alienator is a resident.

ARTICLE 13

INDEPENDENT PERSONAL SERVICES

1. Income derived by a resident of a Contracting State in respect of professional services or other independent activities of a similar character shall be taxable only in the State in which they are rendered.
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 14

DEPENDENT PERSONAL SERVICES

1. Subject to the provisions of Articles 15, 17, 18, 19 and 20, 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 four months in the fiscal year concerned, 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, Remuneration in respect of an employment exercised aboard a ship or aircraft in international traffic may be taxed in the Contracting State in which the place of effective management of the enterprise is situated.

ARTICLE 15

DIRECTORS' FEES

Directors' fees and 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 shall be taxed in that other State.

Article 16

Artistes and athletes

Notwithstanding the provisions of Articles 13 and 14, income derived by public entertainers, such as theatre, motion picture, radio or television artistes, and musicians, and by athletes, from their personal activities as such may be taxed in the Contracting State in which these activities are rendered provided that the activities are rendered for more than 15 days in a tax year.

ARTICLE 17

PENSION

Subject to the provisions of paragraph 1 of Article 18, pensions and other similar remuneration paid to a resident of a Contracting State in consideration of past employment shall be taxable only in that State.

ARTICLE 18

GOVERNMENT SERVICES

1. Remuneration, including pensions, paid by, or out of funds created by a Contracting State or a political or a local authority thereof to any individual in respect of services rendered to that State or subdivision or local authority thereof in the discharge of functions of a governmental nature may be taxed in that State.
2. The provisions of paragraph 1 also apply to remuneration, including pensions, paid by the Central Bank, the railway, post, telephone, telegraph, radio or television authority or by any establishment providing a public service in a Contracting State.
3. The provisions of Articles 14, 15 and 17 shall apply to remuneration and pensions in respect of services rendered in connection with any trade or business carried on - Notwithstanding the provisions of paragraph 1 of this Article- by one of any legal person mentioned in this Article.

ARTICLE 19

STUDENTS

A resident of one of the Contracting States, who is temporarily present in the other Contracting State solely:

- (a) as a student at a university, college or school in that other Contracting State,
- (b) as a business or technical apprentice, or
- (c) as the recipient of a grant, allowance or award for the primary purpose of study or research from an international scientific or educational organization

shall not be taxed in the other Contracting State in respect of remittances from abroad for the purpose of his maintenance, education or training or in respect of a scholarship grant. The same shall apply to any amount representing remuneration for services rendered in that other State, provided that such services are in connection with his studies or training or are necessary for the purpose of his maintenance.

ARTICLE 20

PROFESSORS, TEACHERS AND RESEARCHERS

A resident of one of the Contracting States who, at the invitation of a university, college or other establishment for higher education or scientific research in the other Contracting State, visits that other Contracting State solely for the purpose of teaching or scientific research at such institution for a period not exceeding three months in any tax year, shall not be taxed in that other State on his remuneration for such teaching or research.

Chapter IV

TAXATION OF CAPITAL

ARTICLE 21

ASSETS SUBJECT TO PROPERTY AND ESTATE DUTIES

Capital represented by immovable or movable property shall be taxable only in the Contracting State in which such property is situated

Chapter V
METHOD OF ELIMINATION OF DOUBLE TAXATION

ARTICLE 22

EXEMPTION AND CREDIT METHOD

1. Where a resident of a Contracting State derives income which, in accordance with the provisions of this Convention, may be taxed in the other Contracting State, the first-mentioned State shall, subject to the provisions of paragraph which exempt that income from tax, exempt such income from tax but may, in calculating tax on the remaining income of that person, apply the rate of tax which would have been applicable if the exempted income or capital had not been so exempted.
2. Where a resident of a Contracting State derives income which, in accordance with the provisions of Articles 10, may be taxed in the other Contracting State, the first-mentioned State shall allow as a deduction from the tax on the income of that person an amount equal to the tax paid in that other Contracting State. Such deduction shall not, however, exceed that part of the tax, as computed before the deduction is given, which is appropriate to the income derived from that other Contracting State.

Chapter VI
SPECIAL PROVISIONS

ARTICLE 23

NON-DISCRIMINATION

1. The 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 State in the same circumstances are or may be subjected.
2. The term "nationals" means:
 - (a) all individuals possessing the nationality of a Contracting State;
 - (b) all legal persons, partnerships and associations deriving their status as such from the law in force in a Contracting State.
3. 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.

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 Contracting 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 that first-mentioned State are or may be subjected.
5. The provisions of this Article shall not be construed as affecting the application of:
 - (a) the provisions in Iraq of the Industrial Development Law 164 of 1964 (as amended);
 - (b) the provisions in the United Arab Republic of Article 11, paragraphs 1 and 2 and Article 11 bis of Law 14 of 1939 and the exemptions conferred in the United Arab Republic by Articles 5 and 6 of Law 14 of 1939.
6. In this Article the term "taxation" means taxes of every kind covered by this Agreement.

ARTICLE 24

MUTUAL AGREEMENT PROCEDURE

1. Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with this Convention he may, notwithstanding the remedies provided by the national laws of those States, present his case to the competent authority of the Contracting State of which he is a resident.
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 an appropriate 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 not in accordance with the Convention.
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.

ARTICLE 25

EXCHANGE OF INFORMATION

1. The competent authorities of the Contracting States shall exchange such information as is necessary for the carrying out of this Convention and of the domestic laws of the Contracting States concerning taxes covered by this Convention in so far as the taxation thereunder is in accordance with this Convention. Any information so exchanged shall be treated as secret and shall not be disclosed to any persons or authorities other than those concerned with the assessment, including judicial determination, or collection of the taxes which are the subject of this Convention.
2. In no case shall the provisions of paragraph 1 be construed so as to impose on one of the Contracting States the obligation:
 - a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;
 - b) to supply particulars which are not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;
 - c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process, or information, the disclosure of which would be contrary to public policy (ordre public).

ARTICLE 26

DIPLOMATIC AND CONSULAR OFFICIALS

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

ARTICLE 27

ENTRY INTO FORCE

1. This Convention shall be ratified and the instruments of ratification shall be exchanged as soon as possible.
2. The Convention shall enter into force upon the exchange of instruments of ratification and its provisions shall have effect for the first time:
 - (a) in **Iraq**:
for all taxes which are subject to this Convention from the first financial year beginning after the date of entry into force of this Convention;

(b) in the United Arab Republic:

- (i) in respect of tax on income from movable capital and tax on wages, salaries, bonuses, pensions and the like, which are due on or after the date on which the Convention comes into force;
- (ii) in respect of tax on commercial and industrial profits for any accounting period ending on or after this Convention comes into force;
- (iii) in respect of tax on income derived from immovable property, tax on profits from liberal professions and all other noncommercial professions and the general income tax for the calendar year during which this Convention comes into force;

The rules in sub-paragraph (b) of this paragraph shall be correspondingly applicable to the defence tax, national security tax and the supplementary taxes.

ARTICLE 28

TERMINATION

This Convention shall remain in force until terminated by one of the Contracting States. Either Contracting State may terminate the Convention, through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year after the year 1972. In such event, the Convention shall cease to have effect:

(a) in Iraq:

in respect of income taxable in the first financial year following that in which the notice is given;

(b) in the United Arab Republic:

- (i) in respect of tax on income from movable capital and tax on wages, salaries, bonuses, pensions and the like which are due in the first financial year following the year in which the notice is given;
- (ii) in respect of tax on commercial and industrial profits for any accounting period ending on the first day of the financial year following that in which the notice is given;
- (iii) in respect of tax on income from immovable property, tax on profits from liberal professions and all other non-commercial professions and the general income tax for the first financial year following that in which notice is given;
- (iv) in respect of property tax and estate duty for the first financial year following that in which notice is given.

The rules in sub-paragraph (b) of this paragraph shall be correspondingly applicable to the defence tax, the national security tax and the supplementary taxes.

In witness whereof, the undersigned, duly authorized thereto, have signed this Convention.

Done in duplicate at Baghdad this 31st day of March 1968 in the Arabic language.