

# **SYNTHESISED TEXT OF THE MLI AND THE CONVENTION BETWEEN THE ARAB REPUBLIC OF EGYPT AND THE HASHEMITE KINGDOM OF JORDAN FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME AND CAPITAL**

## **General disclaimer on the Synthesised text document**

**This comprehensive document (the "Document") of the companion text of the Multilateral Convention promulgated by Presidential Decree No. 446 of 2020 and the Convention on Avoidance of Double Taxation and Prevention of Tax Evasion with regard to Income and Capital Taxes between the Governments of the Arab Republic of Egypt and the Hashemite Kingdom of Jordan and published in the Official Gazette 48 on 27/11/1997 ("Convention"), is only a guiding text translated from the Arabic language text of the Convention, bearing in mind that that Arabic version of the Convention is the most likely and the first to be applied on the part of the authentic in case of difference between the versions of different languages themselves- without any responsibility on the authority that issued those texts.**

This document presents the synthesised text for the application of the Convention between **the Arab Republic of Egypt** and **the Hashemite Kingdom of Jordan** with respect to Taxes on Income signed on **8 May 1996** (the "Convention"), as modified by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting signed by **Egypt** on **7 June 2017** and **Jordan** on **19 December 2019** (the "MLI").

The document was prepared on the basis of the MLI position of **Egypt** submitted to the Depository upon ratification on **30 September 2020** and of the MLI position of **Jordan** submitted to the Depository upon ratification on **29 September 2020**. These MLI positions are subject to modifications as provided in the MLI. Modifications made to MLI positions could modify the effects of the MLI on the Convention.

The authentic legal texts of the Convention and the MLI take precedence and remain the legal texts applicable.

The provisions of the MLI that are applicable with respect to the provisions of the Convention are included in boxes throughout the text of this document in the context of the relevant provisions of the Convention. The boxes containing the provisions of the MLI have generally been inserted in accordance with the ordering of the provisions of the 2017 OECD Model Tax Convention.

Changes to the text of the provisions of the MLI have been made to conform the terminology used in the MLI to the terminology used in the Convention (such as “Covered Tax Agreement” and “Convention”/“Agreement”, “Contracting Jurisdictions” and “Contracting States”), to ease the comprehension of the provisions of the MLI. The changes in terminology are intended to increase the readability of the document and are not intended to change the substance of the provisions of the MLI. Similarly, changes have been made to parts of provisions of the MLI that describe existing provisions of the Convention: descriptive language has been replaced by legal references of the existing provisions to ease the readability.

In all cases, references made to the provisions of the Convention or to the Convention must be understood as referring to the Convention as modified by the provisions of the MLI, provided such provisions of the MLI have taken effect.

### **References**

The authentic legal texts of the MLI and the Convention can be found [[www.eta.gov.eg](http://www.eta.gov.eg)]

## **Disclaimer on the entry into effect of the provisions of the MLI**

The provisions of the MLI applicable to this Convention do not take effect on the same dates as the original provisions of the Convention. Each of provisions of the MLI could take effect on different dates, depending on the types of taxes involved (taxes withheld at source or other taxes levied) and on the choices made by **the Arab Republic of Egypt** and **the Hashemite Kingdom of Jordan** in their MLI positions.

Dates of the deposit of instruments of ratification, acceptance or approval: **30 September 2020** for **Egypt** and **29 September 2020** for **Jordan**.

Entry into force of the MLI: **1 January 2021** for **Egypt** and **1 January 2021** for **Jordan**. This document provides specific information on the dates on or after which each of the provisions of the MLI has effect with respect to the Convention throughout this document and has effect as follows:

(a) The provisions of the MLI shall have effect in each Contracting State with respect to the Convention:

(i) with respect to taxes withheld at source on amounts paid or credited to non-residents, where the event giving rise to such taxes occurs on or after 1 January 2021; and  
(ii) With respect to all other taxes levied by that Contracting State, for taxes levied with respect to taxable periods beginning on or after 1 July 2021.

b) Notwithstanding (a), Article 16 (Mutual Agreement Procedure) of the MLI shall have effect with respect to the Convention for a case presented to the competent authority of a Contracting State on or after 1 January 2021, except for cases that were not eligible to be presented as of that date under the Convention prior to its modification by the MLI, without regard to the taxable period to which the case relates.

**CONVENTION BETWEEN  
THE GOVERNMENT OF THE HASHEMITE KINGDOM  
OF JORDAN AND  
THE GOVERNMENT OF THE ARAB REPUBLIC OF EGYPT  
FOR THE AVOIDANCE OF DOUBLE TAXATION AND  
THE PREVENTION OF FISCAL EVASION  
WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL**

**PREAMBLE**

**[MODIFIED by paragraph 3.6.2. of Article 6(3) of the MLI]**

~~[Desiring to conclude a Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital].~~

*The following paragraph 1 and paragraph 3 of Article 6 of the MLI {replace the text referring to an intent to eliminate double taxation in the preamble of this Convention :}*

**ARTICLE 6 OF THE MLI – PURPOSE OF A COVERED TAX AGREEMENT**

Desiring to further develop their economic relationship and to enhance their co-operation in tax matters,

Intending to eliminate double taxation with respect to the taxes covered by [*this Convention*] without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in [*the Convention*] for the indirect benefit of residents of third jurisdictions),

The Government of the Hashemite Kingdom of Jordan and the Government of the Arab Republic of Egypt,

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 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 all taxes imposed on total income, or on elements of income, including taxes on gains from the alienation of movable or immovable property, and taxes on the total amounts of wages or salaries paid by enterprises.
3. The existing taxes to which the Convention shall apply are in particular

**a) In Jordan**

- (1) the income tax;
- (2) the distribution tax; and
- (3) the social service tax imposed with connection to income tax.  
(hereinafter referred to as "Jordanian tax");

**b) In the Arab Republic of Egypt.**

- (1) Real Estate Tax (it includes land tax and buildings tax)
- (2) Consolidated tax on natural person's income imposed by law no. 157 for 1981 and its amendment bylaw no. 187 for 1993.
- (3) Companies' profits tax.
- (4) State financial resources development fees issued by law no. 147 for 1984 and its amendment.
- (5) Addition taxes imposed at percentage of the above taxes or imposed otherwise.  
(hereinafter referred to as "Egyptian tax");

4. The Convention shall apply also 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 existing taxes referred to in paragraph 3. The competent authorities of the Contracting States shall notify each other of significant 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)
- The term "**Jordan**" means The Hashemite Kingdom of Jordan, and when used in geographical sense, it means:
    - The territories of the Hashemite Kingdom of Jordan.
    - The territorial waters of Jordan and the seabed.
    - All other areas extending beyond the limits of territorial waters of Jordan, under the laws of Jordan, and in accordance with international law as an area over which Jordan has sovereign rights for the purposes of exploring extracting, exploiting and investing the natural resources, whether living or non-living, and all other rights existing in water, land and under seabed.
  - The term "**Egypt**" means The Arab Republic of Egypt and when used in a geographical sense, it means.
    - The national soil.
    - Territorial sea.
    - The area beyond the territorial sea and adjacent to it in which Egypt has sovereign rights according to international law for the purpose of exploring, exploiting, maintaining and managing natural resources whether living or non-living which available in waters above or below seabed as well as other activities related to economic exploiting of the area and exploring it and all other rights.
    - Continental shelf.

- b) The terms "a Contracting State" and "the other Contracting State" mean the Hashemite Kingdom of Jordan or the Arab Republic of Egypt as the context requires.
- c) the term "person" includes an individual, a company, a body of persons and any other entity which is treated as a taxable unit under the taxation laws in force in the respective Contracting States;
- d) the term "company" means anybody corporate or any entity 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 "tax" means Jordanian tax or Egyptian tax, as the context requires, but shall not include any amount which is payable in respect of any default or omission in relation to the taxes to which this Convention applies or which represents a penalty or fine imposed relating to those taxes;
- g) 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;
- h) the term "competent authority" means:
  - in Jordan: The Minister of Finance or his authorized representative,
  - in Egypt: The Central Government in the Minister of Finance or his authorized representative
- i) the term "national" means
  - any individual possessing the nationality of a Contracting State;
  - Any legal person, partnership or association deriving its status as such from the laws in force in a Contracting State.

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

## **ARTICLE 4**

### **RESIDENT**

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who) under the laws of that State, is liable to tax therein.
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 not a permanent home available to him in either State, he shall be deemed to be a resident of the State in which he has a habitual abode;
  - c) if he has a habitual abode in both States or in neither of them, he shall be deemed to be a resident 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 by reason of the provisions of paragraph (1). A person other than natural persons is a resident of both contracting states, then his residence will be determined as follows:
  - a) He shall be deemed to be a resident of the contracting state, which he holds its nationality.
  - b) If he holds no nationality of any of the contracting states, he shall be deemed to be resident of the state in which its place of effective management is situated.
4. Where by reason of the provisions of paragraph (1) a person other than individuals or companies is a resident of both contracting states, the competent authorities in both contracting states shall

settle the question by mutual agreement, to determine the application method of the convention on such person.

## **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 an enterprise is wholly or partly carried on.
2. The term "permanent establishment" includes especially:
  - a) A place of management;
  - b) A branch;
  - c) A sales outlet;
  - d) An office;
  - e) A factory;
  - f) A work shop;
  - g) A mine, an oil or gas well, a quarry or any other place of exploration, exploitation or extraction of natural resources;
  - h) A firm, plantation .
  - i) **[MODIFIED by paragraph 1 of Article 14 of the MLI]**[A building site or construction or assembly project or installation project constitute a permanent establishment only if such site, project continued for more than six months in total during a period of twelve months.]

*The following paragraph 1 of Article 14 of the MLI applies and supersedes the provisions of this Convention:*

#### **ARTICLE 14 OF THE MLI – SPLITTING-UP OF CONTRACTS**

For the sole purpose of determining whether [the six months] referred to in [*subparagraph {i} paragraph {2} of Article {5} of the Convention*] has been exceeded:

- a) where an enterprise of [*a Contracting State*] carries on activities in the other [*Contracting State*] at a place that constitutes a building site, or construction or assembly project or installation project {or carries on supervisory activities in connection with such a place}, and these activities are carried on during one or more periods of time that, in the aggregate, exceed 30 days without exceeding [the six months]; and
- b) where connected activities are carried on in that other [*Contracting State*] at {(or, where applies to supervisory activities, in connection with} the same building site, construction project, installation project identified in during different periods of time, each exceeding 30 days, by one or more enterprises closely related to the first-mentioned enterprise,



these different periods of time shall be added to the aggregate period of time during which the first mentioned enterprise has carried on activities at that a building site, construction project, installation project or other specific project identified in.

- j) Providing services including consultative services that the project provides through workers or other individuals, if such activities continued for more than six months in total during a period of twelvemonths.
3. **[MODIFIED by paragraph 2 of Article 13 of the MLI]**~~[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, 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 operating them to his own account with knowledge of the other enterprise.~~
  - ~~c) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise;~~
  - ~~d) The maintenance of a fixed place of business for the purpose of giving information or making scientific research, or any other activity of a preparatory or auxiliary character;~~
  - ~~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.~~

*The following paragraph 2 of Article 13 of the MLI replaces paragraph {3} of Article {5} of this Convention:*

**ARTICLE 13 OF THE MLI – ARTIFICIAL AVOIDANCE OF PERMANENT ESTABLISHMENT STATUS THROUGH THE SPECIFIC ACTIVITY EXEMPTIONS (Option A)**

Notwithstanding [Article {5} of the Convention], the term “permanent establishment” shall be deemed not to include:

- a)
  - i) The use of facilities solely for the purpose of storage, display of goods or merchandise belonging to the enterprise;
  - ii) The maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of operating them to his own account with knowledge of the other enterprise
  - iii) the maintenance of a fixed place of business for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise;
  - iv) The maintenance of a fixed place of business for the purpose of giving information or making scientific research, or any other activity of a preparatory or auxiliary character;
- b) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any activity not described in subparagraph a);

c) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs a) and b),

*Provided that* such activity or, in the case of subparagraph c), the overall activity of the fixed place of business, is of a preparatory or auxiliary character.

*The following paragraph 4 of Article 13 of the MLI applies to paragraph {3} of Article {5} of this Convention {as modified by paragraph {2} of Article 13 of the MLI}:*

[Article {5} of the Convention, {as modified by paragraph {2} of Article 13 of the MLI}] shall not apply to a fixed place of business that is used or maintained by an enterprise if the same enterprise or a closely related enterprise carries on business activities at the same place or at another place in the same [Contracting State] and:

a) that place or other place constitutes a permanent establishment for the enterprise or the closely related enterprise under the provisions of [Article {5} of the Convention]; or

b) the overall activity resulting from the combination of the activities carried on by the two enterprises at the same place, or by the same enterprise or closely related enterprises at the two places, is not of a preparatory or auxiliary character,

Provided that the business activities carried on by the two enterprises at the same place, or by the same enterprise or closely related enterprises at the two places, constitute complementary functions that are part of a cohesive business operation.

4. **[REPLACED by paragraph 1 of Article 12 of the MLI]**~~[Where a person 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.]~~

*The following paragraph 1 of Article 12 of the MLI replaces paragraph {4} of Article {5} of this Convention:*

**ARTICLE 12 OF THE MLI – ARTIFICIAL AVOIDANCE OF PERMANENT ESTABLISHMENT STATUS THROUGH COMMISSIONNAIRE ARRANGEMENTS AND SIMILAR STRATEGIES**

Notwithstanding Article {5} of the Convention, but subject to paragraph 2 of Article 12 of the MLI, where a person is acting in a Contracting State on behalf of an enterprise and, in doing so, habitually concludes contracts, or habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the enterprise, and these contracts are:

a) in the name of the enterprise; or

b) for the transfer of the ownership of, or for the granting of the right to use, property owned by that enterprise or that the enterprise has the right to use; or

c) for the provision of services by that enterprise,

that enterprise shall be deemed to have a permanent establishment in that Contracting State in respect of any activities which that person undertakes for the enterprise unless these activities, if they were exercised by the enterprise through a fixed place of business of that enterprise situated in that *Contracting State*, would not cause that fixed place of business to be deemed to constitute a permanent establishment under the definition of permanent establishment included in the provisions of *Article {5} of the Convention*.

5. Notwithstanding the preceding provisions of this Article, an insurance enterprise of a Contracting State shall, except in regard to re-insurance, be deemed to have a permanent establishment in the other Contracting State if it collects premiums in the territory of that other State or insures risks situated therein through a person other than an agent of an independent status.
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.

*The following paragraph 1 of Article 15 of the MLI applies to provisions of this Convention:*

#### **ARTICLE 15 OF THE MLI – DEFINITION OF A PERSON CLOSELY RELATED TO AN ENTERPRISE**

For the purposes of the provisions of [*Article {5} of the Convention*], a person is closely related to an enterprise if, based on all the relevant facts and circumstances, one has control of the other or both are under the control of the same persons or enterprises. In any case, a person shall be considered to be closely related to an enterprise if one possesses directly or indirectly more than 50 per cent of the beneficial interest in the other (or, in the case of a company, more than 50 per cent of the aggregate vote and value of the company's shares or of the beneficial equity interest in the company) or if another person possesses directly or indirectly more than 50 per cent of the beneficial interest (or, in the case of a company, more than 50 per cent of the aggregate vote and value of the company's shares or of the beneficial equity interest in the company) in the person and the enterprise.

### **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 also 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, boats, aircraft and motor vehicles shall not be regarded as immovable property

3. The provisions of paragraph I shall apply to income derived from the direct use, letting, or use in any other form of immovable property.
4. The provisions of paragraphs 3 and I 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 also be taxed in the other state but only so much of them as are attributable to that permanent establishment.
2. 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 permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.
4. 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.

5. If the contracting state habitually determine the profits of the permanent establishment on the basis of the proportion of each part thereof to the total profit of the project there is nothing in paragraph (2) to prevent the contracting state to determine the taxable profits on the basis of this division as actually happens, however the method applied in the division, in the result, should be in accordance with the principles stated in this article.
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 on the contrary.
7. 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 of a Contracting State 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.
2. If the place of effective management of a shipping enterprise or of an inland waterways transport enterprise is aboard a ship or boat, then it shall be deemed to be situated in the Contracting State in which the home harbour of the ship or boat is situated, or, if there is no such home harbour, in the Contracting State of which the operator of the ship or boat is a resident.
3. The provisions of paragraph (1) shall also apply to profits from participation in a pool, a joint business or code sharing, or an international operating agency.

## **ARTICLE 9**

### **ASSOCIATED ENTERPRISES**

1. 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 there in on those profits. In determining such adjustments, due regard shall be had to the other provisions of this Convention.

3. It is not allowed for any contracting state to change the enterprise profits in the case referred to in paragraph (1) at the expiry date of prescription period stated in its national laws.

4. Provisions of paragraphs 2 and 3 shall not apply in case of fiscal evasion.

## **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 recipient is the beneficial owner of the dividends the tax so charged shall not exceed 15 per cent of the gross amount of the dividends. 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 subject to the same taxation treatment as income from shares under the laws of the state of which the company making the distribution is a resident.
4. The provisions of paragraphs (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 or Article 14, 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 in so far as such dividends are paid to a resident of that other State or in so far 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 consists wholly or partly of profits or income arising in such other state.

## **ARTICLE 11**

### **INTEREST**

1. Interest 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 interest may also be taxed in the Contracting State in which it arises and according to the laws of that State but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 15 per cent of the gross amount of the interest.
3. The term "interest" 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 penalty charges for late payment shall not be regarded as interest for the purpose of this Article.
4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest arises, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated there in, or performs in that other State independent personal services from a fixed base situated there in, and the debt-claim in respect of which the interest is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.
5. Interest shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest 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 interest, 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, such royalties may also be taxed in the Contracting State in which they arise) and according to the laws of that State. But if the recipient is the beneficial owner of the royalties, the tax so charged shall not exceed 20 per cent of the gross amount of the royalties.
3. 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 cinematography films. And films or tapes or any other means of reproduction for television or radio broadcasting, any patent, trademark, design or model, plan, secret formula or process or any industrial commercial or scientific equipment, or for information concerning industrial, commercial or scientific experience.
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 such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.
5. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a political subdivision, a local authority or a resident of that State. Where, however, the person paying royalties, whether he is resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the liability to pay the royalties was incurred, and such royalties or are borne by such permanent establishment or fixed base, then such royalties or shall be deemed to arise in the 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 persons, 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**

### **CAPITAL GAINS**

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 and situated in the other Contracting State may also 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 a permanent establishment (alone or with the whole enterprise) or of such fixed base. may also be taxed in that other state.
3. Gains derived by an enterprise of a Contracting State from the alienation of ships or aircraft operated in international traffic or movable property pertaining to the operation of such ships, aircraft shall be taxable only in that State in which the place of effective management of the enterprise is situated.
4. Gains from the alienation of shares of the capital stock of a company the property of which consists directly or indirectly 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 that referred to in paragraph 4 which represent a compare siding in a contracting state shall be taxed in that contracting state only.

6. Gains from the alienation of any property other than that referred to in paragraph (5) may be taxed in the contracting state in which the income originated.

## **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 except in the following circumstances, when such income may also be taxed in the other Contracting State:
  - a) if he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities; in that case, only so much of the income as is attributable to that fixed base may be taxed in that other State; or
  - b) if his stay in the other State is for a period or periods aggregating 183 days or more in any 12-month period commencing or ending in the fiscal year concerned; 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; or
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, surgeons, dentists and accountants.

## **ARTICLE 15**

### **DEPENDENT PERSONAL SERVICES**

1. Subject to the provisions of Articles 16, 18 and 19, 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 I, 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 183 days in any 12-month period commencing or ending 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 of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated by an enterprise which is a resident of a Contracting State in international traffic shall be taxable only in that contracting state in which the place of effective management of the enterprise is situated.

## **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 also be taxed in that other State

## **ARTICLE 17**

### **ARTISTES AND SPORTSMEN**

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture. Radio or television artiste, or a musician, or as a sportsman, 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 exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself, but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

## **ARTICLE 18**

### **PENSIONS**

1. 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.
2. The term "life annuities" means certain amounts paid periodically in specific dates or through certain or specific period according to pay the equivalent of these payments all at once in cash or can be evaluated in cash.

## **ARTICLE 19**

### **GOVERNMENT SERVICE**

Remuneration, other than a pension, paid 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 subdivision or authority shall be taxable only in that State.

## **ARTICLE 20**

### **AMOUNT RECEIVED BY STUDENTS AND TRAINEES**

#### **(APPRENTICES)**

1. A person resident in a Contracting State and staying temporarily in the other Contracting State only for merely being:
  - a) A student at a university, college or school in the other Contracting State, or
  - b) Trainee in commercial or industrial business or a technical apprentice, or
  - c) A student who has received a grant or obtained a leave for the purpose of studying or conducting a research, from a religious, charitable, scientific or educational body or any similar body

2. The same rule shall apply to any amount represented in a remuneration received by the relevant person for services rendered in the other Contracting State, provided that such services will be in connection with his study or training or will be necessary to cover his living expenses.

## **ARTICLE 21**

### **OTHER INCOME**

1. Without prejudice to the provisions of paragraph (2) 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. Notwithstanding if a resident of a Contracting State derives income from sources within the other Contracting State, such income may be taxed in the contracting state in which the income originated and according to the law of that contracting state.

## **ARTICLE 22**

### **THE TAXATION OF CAPITAL**

1. A capital represented in the real estate property referred to in Article six and owned by a resident of a Contracting State, which property is situated in another Contracting State, shall be subject to tax in that other Contracting State.
2. A capital represented in movable property (chattels), forming part of the assets of a permanent establishment owned by an enterprise of a Contracting State in another Contracting State, as well as the movable property belonging to a permanent Centre under the disposal of a resident of a Contracting State staying in the other Contracting State for the purpose of rendering independent personal services, shall be subject to tax in that other Contracting State.
3. A capital represented in ships (vessels), boats and air craft operating in international traffic, as well as the capital represented in the movable property relating to the operation of each ships, boats and aircrafts, shall be subject to the tax in the Contracting State in which the place of effective management of the enterprise is situated.

4. All capital elements (items) which are not stated in the preceding paragraphs, and which are owned by a person resident in a Contracting State, shall be subject to taxable only in that Contracting State.

## **ARTICLE 23**

### **METHODS FOR ELIMINATION OF DOUBLE TAXATION**

1. Where a resident of a Contracting State derives income or owns capitals which, in accordance with the provisions of this Agreement, is taxable in the other Contracting State, the first contracting state shall allow as a deduction from the income tax or capital tax to which such resident is liable, an amount equal to income tax or capital tax paid in the other Contracting State, Such deduction shall not, however, exceed the amount of income tax or capital tax - as computed before granting the deduction attributed to the income or capital which may be taxed in that other Contracting State, according to circumstances.
2. Where the income derived by a resident of a Contracting State, or the capital owned by him is exempt from tax in that Contracting State, in accordance with any provision of this Agreement, such Contracting State shall, however, take into account the exempted amount of income or capital when calculating tax on the remaining amount of income or capital of such resident.
3. For the purposes of deduction from income tax or the tax imposed on capital in a Contracting State, the tax paid in the other Contracting State shall include the tax which would have been payable to that other Contracting State, but has been exempted or reduced by virtue of the tax incentives granted under the laws of that Contracting State.

## **ARTICLE 24**

### **NON-DISCRIMINATION**

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected herewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances.

2. The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favorably 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 preventing a Contracting State from granting to residents of the other Contracting State any personal allowances, relief and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.
3. 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 25**

### **MUTUAL AGREEMENT PROCEDURES**

1. **[The first sentence of paragraph 1 of Article 25 of this Convention is REPLACED by paragraph 1 of Article 16 of the MLI]**~~[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 or, if his case comes under paragraph 1 of Article 24, to that of the Contracting State of which he is a national.]~~

*The following first sentence of paragraph 1 of Article 16 of the MLI replaces the {first sentence} of paragraph {1} of Article {25} of this Convention:*

#### **ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE**

Where a person considers that the actions of one or both of [*the Contracting States*] result or will result for that person in taxation not in accordance with the provisions of [*this Convention*], that person may, irrespective of the remedies provided by the domestic law of those Contracting States, present the case to the competent authority of either [*Contracting State*].

The case must be presented within three 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 endeavor, 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.

*The following second sentence of paragraph 2 of Article 16 of the MLI applies to this Convention:*

#### **ARTICLE 16 OF THE MLI – MUTUAL AGREEMENT PROCEDURE**

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 endeavor 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. Neither of the Contracting States may, after expiry of the specific periods stipulated in its national laws, and in any case after the lapse of five years from the end of the tax period in which the income was realized, may increase the tax base of any resident of either Contracting State by adding income elements (items) thereto, which had been also subjected to tax in the other contracting State. This paragraph shall not, however, apply in case of intentional evasion default or omission.

### **ARTICLE 26**

#### **EXCHANGE OF INFORMATION**

1. The competent authorities of the Contracting States shall exchange such information (including documents), as is necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes covered by the Convention insofar as the taxation thereunder is not contrary to the Convention in particular for the prevention of fraud or evasion of such taxes. The exchange of information is not restricted by Article 1. Any information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to

persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect of, or the determination of appeals in relation to, the taxes covered by the Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

2. In no case shall the provisions of paragraph 1 be construed so as to impose on a Contracting State 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 information or documents which is 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.

## **ARTICLE 27**

### **DIPLOMATIC AGENTS AND CONSULAR OFFICERS**

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

## **ARTICLE**

### **PREVENTION OF TREATY ABUSE**

*The following paragraph 1 of Article 7 of the MLI applies and supersedes the provisions of this Convention:*

#### **ARTICLE 7 OF THE MLI –PREVENTION OF TREATY ABUSE (Principal purposes test provision)**

Notwithstanding any provisions of [*the Convention*], a benefit under [*the Convention*] shall not be granted in respect of an item of income or capital if it is reasonable to conclude, having regard to all relevant facts and circumstances, that obtaining that benefit was one of the principal purposes of any arrangement or transaction that resulted directly or indirectly in that benefit, unless it is established that granting that benefit in these circumstances would be in accordance with the object and purpose of the relevant provisions of [*the Convention*].

## **ARTICLE 28**

### **MISCELLANEOUS RULES**

1. The provisions of this Agreement may not be construed as restraining in any way any exception, exemption, reduction, deduction or any other granted currently or subsequently by:
  - a) The laws of any Contracting State when determining the taxes imposed by such state, or
  - b) Any other agreement concluded by either Contracting State.
2. Nothing in this Agreement may present the application of the provisions of the internal law of each Contracting State with respect to taxes on personal incomes derived from their participation in non-resident companies, or with respect to tax evasion.
3. The competent authorities of both Contracting States may approach each other directly for the purpose of implementation of this Agreement.

## **ARTICLE 29**

### **ENTRY INTO FORCE OF THE AGREEMENT**

1. This agreement shall be ratified and ratification instruments shall be exchanged in Cairo.
2. This Agreement shall enter into force from the date of exchange of the ratification instruments, and the validity of its provisions shall start for the first time:
  - a) On payments made on or after the first of January of the calendar year following the year in which the exchange of the ratification instruments takes place, in respect of taxes withheld at source.
  - b) On the tax years commencing on or after the first of January of the calendar year following to the year in which the exchange of the ratification instruments takes place, in respect of the other taxes.

## **ARTICLE 30**

### **TERMINATION**

This Convention shall remain in force indefinitely until terminated by a contracting state. Either Contracting State may terminate the Convention, through diplomatic channels, by giving notice of termination on or before 30 June of any calendar year beginning after the expiration of five years from the date of entry into force of the Convention. In such event, the Convention shall cease to have effect:

- a) on or after the first day of January next following the calendar year in which the notice of termination is given in respect of income arising in any previous year.
- b) In respect of income arising in any previous year on or after the first day of April next following the calendar year in which the notice of termination is given in respect of amounts paid for the account of taxes seized from source.

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

DONE in duplicate at Amman, On 8 May 1996 in Arabic language.