United Kingdom – Oman Double Taxation Agreement

1998 Convention as amended by the 2009 Protocol (consolidated text).

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Retrieved for reference; this is the UK-published English text (the Oman portal linked only an unreachable staging copy).

UK-Oman double taxation agreement signed 23 February 1998 amending protocol signed 26 November 2010 (Consolidated version)

Entered into force 9 November 1998 and 9 January 2011 respectively.

Double Taxation Agreement: Effective in United Kingdom from 1 April 1996 for corporation tax and from 6 April 1996 for income tax and capital gains tax.

Effective in the Sultanate of Oman from 1 January 1996.

Effective from 1 January 1979 in respect of profits, income and gains from the operation of ships and aircraft in international transport.

Protocol: Effective from 9 January 2011, except for taxes withheld at source, for which it is effective from 1 January 2012

Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Sultanate of Oman for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Sultanate of Oman,

Desiring to conclude an Agreement for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains,

Have agreed as follows:

Article 1: persons covered

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

Article 2: taxes covered

1. (1) This Agreement shall apply to taxes on income and on capital gains 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. (2) There shall be regarded as taxes on income and on capital gains all taxes imposed on total income or on elements of income, including taxes on gains from the alienation of movable or immovable property.
3. (3) The existing taxes to which the Agreement shall apply are in particular:
    1. (a) in the case of the Sultanate of Oman:
        1. the income tax;
4. (hereinafter referred to as ‘Omani tax’);
    1. (b) in the case of the United Kingdom:
        1. (i) the income tax;
        2. (ii) the corporation tax; and
        3. (iii) the capital gains tax;
        4. (hereinafter referred to as ‘United Kingdom tax’).
5. (4) This Agreement shall also apply to any identical or substantially similar taxes which are imposed by either Contracting State after the date of signature of this Agreement in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other of any significant changes which have been made in their respective taxation laws.

Article 3: general definitions

1. (1) For the purposes of this Agreement, unless the context otherwise requires:
    1. (a) the term ‘the Sultanate of Oman’ means all the

lands of the Sultanate of Oman within its geographical boundaries, the territorial waters and continental shelf including all the islands belonging thereto, their territorial waters and continental shelf and the air-space of these lands, islands and territorial waters;

2. (b) the term ‘United Kingdom’ means Great Britain and Northern Ireland, including any area outside the territorial sea of the United Kingdom which in accordance with international law has been or may hereafter be designated, under the laws of the United Kingdom concerning the Continental Shelf, as an area within which the rights of the United Kingdom with respect to the sea-bed and sub-soil and their natural resources may be exercised;
3. (c) the term ‘national’ means:
    1. (i) in relation to the Sultanate of Oman, any individual possessing the nationality of the Sultanate of Oman, and any legal person, partnership, association or other entity deriving its status as such from the law in force in the Sultanate of Oman;
    2. (ii) in relation to the United Kingdom, any British citizen, or any British subject not possessing the citizenship of any other Commonwealth country or territory, provided he has the right of abode in the United Kingdom; and any legal person, partnership, association or other entity deriving its status as such from the law in force in the United Kingdom;
4. (d) the terms ‘a Contracting State’ and ‘the other Contracting State’ mean the Sultanate of Oman or the United Kingdom, as the context requires;
5. (e) the term ‘person’ includes an individual, a company, a body of persons, and any establishment owned or exploited by an individual which is treated as a taxable entity under the laws of the Sultanate of Oman, but subject to paragraph (2) of this Article does not include a partnership;
6. (f) the term ‘company’ means any body corporate or any entity which is treated as a body corporate for tax purposes;
7. (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;

8. (h) the term ‘operation of ships or aircraft in international traffic’ means the business of transport by sea or by air of passengers, mail, livestock or goods carried on by an enterprise of a Contracting State as owner, lessee or charterer of ships or aircraft, including the sale of tickets on behalf of other enterprises, the incidental lease of ships or aircraft and any other activity directly connected with such transport but does not include transport by any ship or aircraft on journeys solely between places in the other Contracting State;
9. (i) the term ‘competent authority’ means:
    1. (i) in the case of the Sultanate of Oman, the Minister of National Economy and Supervisor of Ministry of Finance or his authorised representative; and
    2. (ii) in the case of the United Kingdom, the Commissioners for Her Majesty’s Revenue and Customs or their authorised representative.

2. (2) A partnership which is treated as a taxable unit under the laws of the Sultanate of Oman shall be treated as a person for the purposes of this Agreement.
3. (3) As regards the application of the Agreement at any time by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning that it has at that time under the law of that State for the purposes of the taxes to which the Agreement applies, any meaning under the applicable tax laws of that State prevailing over a meaning given to the term under other laws of that State.

Article 4: residence

1. (1) For the purpose of this Agreement, the term ‘resident of a Contracting State’ means any person who, under the law of that State, is liable to tax therein by reason of his domicile, residence, place of management, place of incorporation or any other criterion of a similar nature and also includes that State and any political subdivision or local authority thereof.
2. (2) Where by reason of the provisions of paragraph (1) of this Article an individual is a resident of both Contracting States, then his status shall be determined as follows:
    1. (a) he shall be deemed to be a resident only of the State in which he has a permanent home available to him; if

he has a permanent home available to him in both States, he shall be deemed to be a resident of the State with which his personal and economic relations are closer (centre of vital interests);
    2. (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 only of the State in which he has an habitual abode;
    3. (c) if he has an habitual abode in both States or in neither of them, he shall be deemed to be a resident only of the State of which he is a national;
    4. (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. (3) Where by reason of the provisions of paragraph (1) of this Article, a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident only of the State in which its place of effective management is situated

Article 5: permanent establishment

1. (1) For the purposes of this Agreement, the term ‘permanent establishment’ means a fixed place of business through which the business of the enterprise is wholly or partly carried on.
2. (2) The term ‘permanent establishment’ includes especially:
    1. (a) a place of management;
    2. (b) a branch;
    3. (c) an office;
    4. (d) a factory;
    5. (e) a workshop;
    6. (f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources.
3. (3) A building site or construction or installation project constitutes a permanent establishment only if it lasts more than 6 months.
4. (4) Notwithstanding the preceding provisions of this Article, the term ‘permanent establishment’ shall be deemed not to include:
    1. (a) the use of facilities solely for the purpose of storage, display or delivery of goods or merchandise belonging to the enterprise;
    2. (b) the maintenance of a stock of goods or merchandise

belonging to the enterprise solely for the purpose of storage, display or delivery;

3. (c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
4. (d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the enterprise;
5. (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;
6. (f) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs (a) to (e) of this paragraph, provided that the preparatory or auxiliary character.

5. (5) Notwithstanding the provisions of paragraphs (1) and (2) of this Article, where a person (other than an agent of an independent status to whom paragraph (6) of this Article applies) is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts on behalf 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 such person are limited to those mentioned in paragraph (4) of this Article which, if exercised through a fixed place of business, would not make this fixed place of business a permanent establishment under the provisions of that paragraph.
6. (6) An enterprise 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.
7. (7) 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 Contracting State (whether through a permanent establishment or otherwise) shall not of itself constitute either company a permanent establishment of the other.

Article 6: income from immovable property

1. (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 Contracting State.
2. (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 (including the breeding and cultivation of fish) and forestry, and 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 shall also be considered as ‘immovable property’. Ships, boats and aircraft shall not be regarded as immovable property.
3. (3) The provisions of paragraph (1) of this Article shall apply to income derived from the direct use, letting, or use in any other form of immovable property.
4. (4) The provisions of paragraphs (1) and (3) of this Article 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. (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 Contracting State but only so much of them as is attributable to that permanent establishment.
2. (2) Subject to the provisions of paragraph (3) of this Article, 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. (3) In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the business of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere.
4. (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. (5) Where profits include items of income or capital gains which are dealt with separately in other Articles of this Agreement, then the provisions of those Articles shall not be affected by the provisions of this Article.
6. (6) 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) of this Article 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 embodied in this Article.
7. (7) 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.

Article 8: shipping and air transport

1. (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 that Contracting State.
2. (2) For the purposes of this Article, profits from the operation of ships or aircraft in international traffic include:
    1. (a) profits from the rental on a bareboat basis of ships or aircraft; and
    2. (b) profits from the use, maintenance or rental of containers (including trailers and related equipment for the transport of containers) used for the transport of goods or merchandise;

3. where such rental or such use, maintenance or rental, as the case may be, is incidental to the operation of ships or aircraft in international traffic.
4. (3) For the purpose of this Article, interest on funds directly connected with the operation of ships or aircraft in international traffic shall be regarded as profits derived from the operation of such ships or aircraft, and the provisions of Article 11 shall not apply in relation to such interest.
5. (4) The provisions of paragraphs (1), (2) and (3) of this Article shall also apply to profits from the participation in a pool, a joint business or an international operating agency, but only to so much of the profits so derived as is attributable to the participant in proportion to its share in the joint operation.

Article 9: associated enterprises

1. (1) Where:
    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
    2. (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;
2. 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 by a Contracting State in the profits of that enterprise and taxed accordingly.
3. (2) Where a Contracting State includes in the profits of an enterprise of that State - and taxes accordingly - profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other State shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of

this Agreement and the competent authorities of the Contracting States shall if necessary consult each other.

Article 10: dividends

1. (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. (2A) However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that State, but if the beneficial owner of the dividends is a resident of the other Contracting State:
    1. (a) except as provided in sub-paragraph b), such dividends shall be exempt from tax in the Contracting State of which the company paying the dividends is a resident;
    2. (b) where dividends are paid out of income (including gains) derived directly or indirectly from immovable property within the meaning of Article 6 by an investment company or investment fund which distributes most of this income annually and whose income from such immovable property is exempted from tax, the tax charged by the Contracting State of which the company paying the dividends is a resident shall not exceed 15 per cent of the gross amount of the dividends.
3. This paragraph shall not affect the taxation of the company in respect of the profits out of which the dividends are paid.
4. (2B) Notwithstanding the provisions of sub-paragraph (b) of paragraph (2A) of this Article, dividends paid by a company which is a resident of a Contracting State shall be exempt from tax in that State where they are paid to:
    1. (a) in the case of the Sultanate of Oman:
        1. (i) the Government of the Sultanate of Oman;
        2. (ii) the Central Bank of Oman;
        3. (iii) the State General Reserve Fund;
        4. (iv) the Omani Investment Fund;
        5. (v) any retirement or pension fund organised under Omani laws; and
        6. (vi) any other statutory body or institution wholly or mainly owned by the Government of the Sultanate of Oman, as may be agreed from time to time between the competent authorities of the

Contracting States;

2. (b) in the case of the United Kingdom:
    1. (i) the Government of the United Kingdom;
    2. (ii) the Bank of England;
    3. (iii) any pension fund organised under United Kingdom law;
    4. (iv) and any other statutory body or institution wholly or mainly owned by the Government of the United Kingdom, as may be agreed from time to time between the competent authorities of the Contracting States.

5. (3) The term ‘dividends’ as used in this Article means income from shares, or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the Contracting State of which the company making the distribution is a resident and also includes any other item which, under the laws of the Contracting State of which the company paying the dividend is a resident, is treated as a dividend or distribution of a company.
6. (4) The provisions of paragraphs (1) and (2A) of this Article 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 of this Agreement, as the case may be, shall apply.
7. (5) Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company’s undistributed profits to a tax on undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in that other State.

8. (6) The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the shares or other rights in respect of which the dividend is paid to take advantage of this Article by means of that creation or assignment.

Article 11: interest

1. (1) Interest arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable only in that other State if such resident is the beneficial owner of the interest and subject to tax in respect of the interest in that other Contracting State.
2. (2) 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. The term interest shall not include any item which is treated as a dividend under the provisions of Article 10 of this Agreement.
3. (3) The provisions of paragraph (1) of this Article 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 therein, 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 of this Agreement, as the case may be, shall apply.
4. (4) 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 paid exceeds, for whatever reason, 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 of interest. 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 Agreement.

5. (5) The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the debt-claim in respect of which the interest is paid to take advantage of this Article by means of that creation or assignment.

Article 12: royalties

1. (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. (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 beneficial owner of the royalties is a resident of the other Contracting State, the tax so charged shall not exceed 8 per cent of the gross amount of the royalties.
3. (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 computer software, cinematograph films, and films or tapes for radio or television broadcasting), 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 (know-how) concerning industrial, commercial or scientific experience.
4. (4) The provisions of paragraphs 1 and 2 of this Article 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 of this Agreement, as the case may be, shall apply.
5. (5) Royalties shall be deemed to arise in a Contracting State when the payer is a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the liability to pay the royalties was incurred, and such

royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.

6. (6) Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties paid exceeds, for whatever reason, 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 of royalties. 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 Agreement.
7. (7) The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the rights in respect of which the royalties are paid to take advantage of this Article by means of that creation or assignment.

Article 13: capital gains

1. (1) Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 of this Agreement and situated in the other Contracting State may be taxed in that other State.
2. (2) Gains derived by a resident of a Contracting State from the alienation of:
    1. (a) shares, other than shares quoted on an approved Stock Exchange, deriving their value or the greater part of their value directly or indirectly from immovable property situated in the other Contracting State, or
    2. (b) an interest in a partnership or trust the assets of which consist principally of immovable property situated in the other Contracting State, or of shares referred to in sub-paragraph (a) above,
3. may be taxed in that other State.
4. (3) 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 be taxed in that other State.

5. (4) Gains derived by a resident of a Contracting State from the alienation of ships or aircraft operated in international traffic by an enterprise of that Contracting State or movable property pertaining to the operation of such ships or aircraft shall be taxable only in that Contracting State.
6. (5) Gains from the alienation of any property other than that referred to in paragraphs (1), (2), (3) and (4) of this Article shall be taxable only in the Contracting State of which the alienator is a resident, provided that those gains are subject to tax in that Contracting State.
7. (6) The provisions of paragraph (5) of this Article shall not affect the right of a Contracting State to levy according to its law a tax on capital gains from the alienation of any property derived by an individual who is a resident of the other Contracting State and has been a resident of the first-mentioned Contracting State at any time during the three years immediately preceding the alienation of the property.

Article 14: independent personal services

1. (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 Contracting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other State but only so much of it as is attributable to that fixed base.
2. (2) The term ‘professional services’ includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article 15: dependent personal services

1. (1) Subject to the provisions of Articles 16, 18, 19 and 20 of this Agreement, 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. (2) Notwithstanding the provisions of paragraph (1) of this Article, 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:
    1. (a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in any twelve month period commencing or ending in the fiscal year concerned, and
    2. (b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other State, and
    3. (c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.
3. (3) Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft in international traffic may be taxed in the Contracting State of which the enterprise operating the ship or aircraft is a resident.

Article 16: Directors’ fees

Directors’ fees and other similar payments derived by a resident of a Contracting State in his capacity as a member of the board of directors of a company which is a resident of the other Contracting State may be taxed in that other State.

Article 17: artistes and sportsman

1. (1) Notwithstanding the provisions of Article 14 and Article 15 of this Agreement, 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. (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 of this Agreement, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

3. (3) The provisions of paragraphs (1) and (2) of this Article shall not apply to income derived by entertainers or sportsmen who are residents of a Contracting State from their personal activities as entertainers or sportsmen exercised in the other Contracting State if their visit to that other Contracting State is substantially supported from the public funds of the first-mentioned Contracting State, nor to income derived by a non-profit making organisation which is a resident of a Contracting State in respect of such activities, provided no part of its income is payable to, or is otherwise available for the personal benefit of, its proprietors, founders or members. In such a case, the income is taxable only in the Contracting State of which the entertainer, sportsman or non-profit making organisation, as the case may be, is a resident.

Article 18: pensions

1. (1) Subject to the provisions of paragraph (2) of Article 19 of this Agreement:
    1. (a) pensions and other similar remuneration paid in consideration of past employment, and
    2. (b) any annuity paid,
2. to an individual who is a resident of a Contracting State, and is subject to tax in respect thereof in that State, shall be taxable only in that State.
3. (2) The term ‘annuity’ means a stated sum payable to an individual periodically at stated times during his life or during a specified or ascertainable period of time under an obligation to make the payments in return for adequate and full consideration in money or money’s worth.

Article 19: government service

1. (1)
    1. (a) Salaries, wages and other similar 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.
    2. (b) However, such salaries, wages and other remuneration shall be taxable only in the other Contracting State if the services are rendered in that State and the individual is a resident of that State, who:

1. (i) is a national of that State, or
2. (ii) did not become a resident of that State solely for the purpose of rendering the services.

2. (2)
    1. (a) Any pension paid by, or out of funds created by, a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that State or subdivision or authority shall be taxable only in that State.
    2. (b) However, such pension shall be taxable only in the other Contracting State if the individual is a resident of and a national of that other State and is subject to tax in respect thereof in that State.
3. (3) The provisions of Articles 15, 16, 17 and 18 of this Agreement shall apply to salaries, wages, and other similar remuneration, and to pensions, in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof.

Article 20: students

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 Contracting State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in that first-mentioned State, provided that such payments arise from sources outside that State.

Article 21: other income

1. (1) Items of income beneficially owned by a resident of a Contracting State, wherever arising, which are not dealt with in the foregoing Articles of this Agreement, other than income paid out of trusts or the estates of deceased persons in the course of administration, shall be taxable only in that State.
2. (2) The provisions of paragraph (1) of this Article shall not apply to income, other than income from immovable property as defined in paragraph (2) of Article 6 of this Agreement, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State independent

personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 or Article 14 of this Agreement, as the case may be, shall apply.

3. (3) Where, by reason of a special relationship between the person referred to in paragraph (1) of this Article and some other person, or between both of them and some third person, the amount of the income referred to in paragraph (1) of this Article exceeds the amount (if any) which would have been agreed upon between them in the absence of such a relationship, the provisions of this Article shall apply only to the last mentioned amount. In such a case, the excess part of the income shall remain taxable according to the laws of each Contracting State, due regard being had to the other applicable provisions of this Agreement.
4. (4) The provisions of this Article shall not apply if it was the main purpose or one of the main purposes of any person concerned with the creation or assignment of the rights in respect of which the income is paid to take advantage of this Article by means of that creation or assignment.

Article 22: elimination of double taxation

1. (1) Where a resident of the Sultanate of Oman derives income, profits or chargeable gains which, in accordance with the provisions of this Agreement, may be taxed in the United Kingdom, the Sultanate of Oman shall allow as a deduction from the tax on the income or profits of that resident an amount equal to the income tax, corporation tax, or capital gains tax paid in the United Kingdom, whether directly or by deduction. Such deduction shall not, however, exceed that part of the income tax (as computed before the deduction is given) which is attributable to the income, profits or chargeable gains which may be taxed in the United Kingdom.
2. (2) Subject to the provisions of the law of the United Kingdom regarding the allowance as a credit against United Kingdom tax of tax payable in a territory outside the United Kingdom (which shall not affect the general principle hereof):
    1. (a) Omani tax payable under the laws of the Sultanate of Oman and in accordance with this Agreement, whether directly or by deduction, on profits, income or chargeable gains from sources within the Sultanate of Oman (excluding in the case of a dividend, tax payable

in respect of the profits out of which the dividend is paid) shall be allowed as a credit against any United Kingdom tax computed by reference to the same profits, income or chargeable gains by reference to which the Omani tax is computed;

2. (b) in the case of a dividend paid by a company which is a resident of the Sultanate of Oman to a company which is a resident of the United Kingdom and which controls directly or indirectly at least 10 per cent. of the voting power in the company paying the dividend, the credit shall take into account (in addition to any Omani tax for which credit may be allowed under the provisions of sub-paragraph (a) of this paragraph) the Omani tax payable by the company in respect of the profits out of which such dividend is paid.
3. (3) For the purposes of paragraphs (1) and (2) of this Article, profits, income and capital gains owned by a resident of a Contracting State which may be taxed in the other Contracting State in accordance with this Agreement shall be deemed to arise from sources in that other Contracting State.

Article 23: limitation of relief

Notwithstanding the provisions of any other Article of this Agreement, a resident of a Contracting State who, as a consequence of domestic law concerning incentives to promote foreign investment, is not subject to tax or is subject to tax at a reduced rate in that Contracting State on income or capital gains, shall not receive the benefit of any reduction in or exemption from tax provided for in this Agreement by the other Contracting State if the main purpose or one of the main purposes of such resident or a person connected with such resident was to obtain the benefits of this Agreement.

Article 24: partnerships

Where, under any provision of this Agreement, a partnership is entitled, as a resident of the Sultanate of Oman, to exemption from tax in the United Kingdom on any income or capital gains, that provision shall not be construed as restricting the right of the United Kingdom to tax any member of the partnership who is a resident of the United Kingdom on his share of such income or capital gains; but any such income or gains shall be treated for the purposes of Article 22 of this Agreement as income or gains from

sources in the Sultanate of Oman.

Article 25: non-discrimination

1. (1) Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith, which is other or more burdensome than the taxation and connected requirements to which nationals of that other State in the same circumstances, in particular with respect to residence, are or may be subjected.
2. (2) The taxation on a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favourably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities.
3. (3) Except where the provisions of paragraph (1) of Article 9, paragraph (4) or (5) of Article 11, paragraph (6) or (7) of Article 12, or paragraph (3) or (4) of Article 21 of this Agreement apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first mentioned State.
4. (4) Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.
5. (5) Nothing contained in this Article shall be construed as obliging either Contracting State to grant to individuals not resident in that State any of the personal allowances, reliefs and reductions for tax purposes which are granted to its own individuals so resident.
6. (6) The provisions of this Article shall apply to the taxes which are the subject of this Agreement.

Article 26: mutual agreement procedure

1. (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 the provisions of this Agreement, 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 25 of this Agreement, to that of the Contracting State of which he is a national.

2. (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 not in accordance with the Agreement.
3. (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 Agreement.
4. (4) The competent authorities of the Contracting States may communicate with each other for the purpose of reaching an agreement in the sense of the preceding paragraphs.

Article 27: exchange of information

1. (1) The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Agreement or of the domestic laws of the Contracting States concerning taxes covered by this Agreement insofar as the taxation thereunder is not contrary to the Agreement, in particular, to prevent fraud and to facilitate the administration of statutory provisions against legal avoidance. Any information received by a Contracting State shall be treated as secret and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with 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 Agreement. 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. (2) In no case shall the provisions of paragraph (1) of this Article be construed so as to impose on a Contracting State the obligation:

1. (a) to carry out administrative measures at variance with the laws and the administrative practice of that or of the other Contracting State;
2. (b) to supply information which is not obtainable under the laws or in the normal course of the administration of that or of the other Contracting State;
3. (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 27A: assistance in the collection of taxes

1. (1) The Contracting States agree to lend assistance to each other in the collection of taxes covered by and not levied contrary to this Agreement, together with interest, administrative penalties and the costs of collection pertaining to such taxes. The competent authorities of the Contracting States may by mutual agreement settle the mode of application of this Article.
2. (2) If a Contracting State makes a request for assistance in the collection of taxes and dues mentioned in paragraph (1) of this Article, that request shall include a certification by the competent authority of that State that, under the laws of that State, it has the right to collect the taxes and dues and the taxpayer has no further right to prevent collection. That request shall thereupon be accepted for the purposes of collection of taxes by the competent authority of the other Contracting State.
3. (3) The request of a Contracting State that has been accepted for collection by the other Contracting State shall be fulfilled by that other State as though such request related to its own tax claims. However, such claims do not enjoy any priority in the requested State and cannot be recovered by the imprisonment for debt of the debtor.
4. (4) Amounts collected by the competent authority of a Contracting State pursuant to this Article shall be forwarded to the competent authority of the other Contracting State within two months of the date of recovery. Except where the competent authorities of the Contracting States otherwise agree, the ordinary costs of providing tax collection assistance shall be borne by the requested State.
5. (5) Proceedings with respect to the existence, validity or the amount of taxes and dues certified by the competent authority

of a Contracting State shall not be brought before the courts or administrative bodies of the other Contracting State.

6. (6) Nothing in this Article shall be construed as imposing on a Contracting State the obligation:
    1. (a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;
    2. (b) to carry out measures which would be contrary to public policy;
    3. (c) to provide assistance if the other Contracting State has not pursued all reasonable measures of collection or conservancy, as the case may be, available under its laws or administrative practice;
    4. (d) to provide assistance in those cases where the administrative burden for that State is clearly disproportionate to the benefit to be derived by the other Contracting State.
7. (7) The provisions of this Article shall apply only to persons to whom the Agreement applies and in respect only of taxes covered by this Agreement

Article 28: members of the diplomatic or permanent missions and consular posts

1. (1) Nothing in this Agreement shall affect the fiscal privileges of members of diplomatic or permanent missions or consular posts under the general rules of international law or under the provisions of special agreements.
2. (2) Notwithstanding the provisions of paragraph (1) of Article 4 of this Agreement, an individual who is a member of a diplomatic or permanent mission or consular post of a Contracting State or of any third State which is situated in the other Contracting State or who is an official of an international organisation, and any member of the family of such an individual, shall not be deemed to be a resident of the other State for the purposes of this Agreement if he is subject to tax on income or capital gains in that other State only if he derives income or capital gains from sources therein.

Article 29: entry into force

1. (1) Each of the Contracting States shall notify to the other the completion of the procedures required by its law for the bringing into force of this Agreement. This Agreement shall enter into force on the date of the later of these notifications

and shall thereupon, subject to the provisions of paragraph (2) of this Article, have effect:

1. (a) in the Sultanate of Oman, in respect of taxes on income arising on or after 1st January 1996;
2. (b) in the United Kingdom:
    1. (i) in respect of income tax and capital gains tax, for any year of assessment beginning on or after 6th April 1996;
    2. (ii) in respect of corporation tax, for any financial year beginning on or after 1st April 1996.

2. (2) In relation to the profits, income and gains referred to in Article 8 and paragraphs (4) and (5) of Article 13 of this Agreement, this Agreement shall have effect:
    1. (a) in the Sultanate of Oman, in respect of taxes on income arising on or after 1st January 1979;
    2. (b) in the United Kingdom, in respect of income tax, capital gains tax and corporation tax on income and gains arising on or after 1st January 1979.

Article 30: termination

1. This Agreement shall remain in force until terminated by one of the Contracting States. Either Contracting State may terminate the Agreement, through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year after the period of five years from the date on which the Agreement enters into force. In such event, the Agreement shall cease to have effect:
    1. (a) in the Sultanate of Oman, in respect of income arising on or after 1st January in the calendar year next following that in which the notice of such termination is given.
    2. (b) in the United Kingdom:
        1. (i) in respect of income tax and capital gains tax, for any year of assessment beginning on or after 6th April in the calendar year next following that in which the notice of such termination is given;
        2. (ii) in respect of corporation tax, for any financial year beginning on or after 1st April in the calendar year next following that in which the notice of such termination is given.
    3. (c) in both States, notwithstanding the provisions of subparagraphs (a) and (b) above, in respect of taxes withheld at source, for amounts paid on or after 1st

January in the calendar year next following that in which the notice of such termination is given.

In witness whereof the undersigned, duly authorised thereto (by their respective Governments), have signed this Agreement.

Done in duplicate at London the 23rd day of February 1998 in the English and Arabic languages, both texts being equally authoritative.

For the Government of the United Kingdom of Great Britain and Northern Ireland: Clinton Davis

For the Government of the Sultanate of Oman: Ahmed Macki

Exchange of notes

Your Excellency

London
23rd February 1998

I have the honour to refer to the Agreement between the Government of the Sultanate of Oman and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains which has been signed today, and to make on behalf of the Government of the Sultanate of Oman the following proposals:

(1) The State General Reserve Fund of the Sultanate of Oman, which is beneficially owned and controlled by the Sultanate of Oman, is a resident of the Sultanate of Oman for the purposes of the Agreement.

(2) With respect to paragraph (5) of Article 5 (Permanent Establishment), where a person holds a stock of goods or merchandise belonging to an enterprise and also habitually canvasses for orders on behalf of that enterprise in the Sultanate of Oman, that enterprise shall be treated as having a permanent establishment in the Sultanate of Oman, notwithstanding that contracts of sale are actually concluded outside the Sultanate of Oman.

(3) With respect to paragraph (3) of Article 7 (Business Profits), the total amount of expenses which may be deducted in determining the

profits of the permanent establishment shall not be limited solely to the amount of expenses incurred by the permanent establishment itself to acquire the taxable income, but shall also include expenses incurred by the enterprise in the State in which it is resident or in a third State and which contribute to the acquisition of taxable income of the permanent establishment.

(4) With respect to the recent introduction of the law in the Sultanate of Oman providing for withholding of tax from royalties etc. paid to a foreign company not having a permanent establishment in Oman, the competent authorities will give early consideration to reviewing the provisions of the Agreement.

(5) The term ‘annuity’ in Article 18 (Pensions) will relate to payments made by a person carrying on the business of life assurance on a policy purchased by an employer to provide a pension for a former employee, or for a dependant of a former employee. Other types of annuity will be subject to the terms of Article 21 (Other Income).

(6) A period during which a student or business apprentice was visiting a third State solely for the purposes of his education or training immediately before visiting a Contracting State for those purposes shall be disregarded for the purposes of Article 20 (Students).

(7) The provisions of Article 25 (Non-Discrimination) will not be fully implemented by the Sultanate of Oman until the Sultanate of Oman harmonises the tax rates applicable to enterprises which are carrying on activities in the Sultanate of Oman.

(8) With respect to paragraph (1) of Article 26 (Mutual Agreement), a case presented to the competent authority of the Sultanate of Oman can only be accepted if it is presented within a period of three years beginning from the date of notification of the final determination of an appeal in accordance with the domestic legislation in the Sultanate of Oman.

If the foregoing proposals are acceptable to the Government of the United Kingdom of Great Britain and Northern Ireland, I have the honour to suggest that the present Note and Your Excellency’s reply to that effect should be regarded as an integral part of the Agreement between the two States in this matter, which shall enter into force at the same time as the entry into force of the Agreement.

I avail myself of this opportunity to extend to Your Excellency the assurance of my highest consideration.

Ahmed Macki
Minister of Finance and National Economy Sultanate of Oman

Your Excellency

London
23rd February 1988

I have the honour to acknowledge receipt of Your Excellency's Note of today which reads as follows:

'I have the honour to refer to the Agreement between the Government of the Sultanate of Oman and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital Gains which has been signed today, and to make on behalf of the Government of the Sultanate of Oman the following proposals:

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(3) With respect to paragraph (3) of Article 7 (Business Profits), the total amount of expenses which may be deducted in determining the profits of the permanent establishment shall not be limited solely to the amount of expenses incurred by the permanent establishment itself to acquire the taxable income, but shall also include expenses incurred by the enterprise in the State in which it is resident or in a third State and which contribute to the acquisition of taxable income of the permanent establishment.

(4) With respect to the recent introduction of the law in the

Sultanate of Oman providing for withholding of tax from royalties etc. paid to a foreign company not having a permanent establishment in Oman, the competent authorities will give early consideration to reviewing the provisions of the Agreement.

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If the foregoing proposals are acceptable to the Government of the United Kingdom of Great Britain and Northern Ireland, I have the honour to suggest that the present Note and Your Excellency’s reply to that effect should be regarded as an integral part of the Agreement between the two States in this matter, which shall enter into force at the same time as the entry into force of the Agreement.’

The foregoing proposals being acceptable to the Government of the United Kingdom of Great Britain and Northern Ireland, I have the honour to confirm that Your Excellency’s Note and this reply shall be regarded as an integral part of the Agreement between the two States in this matter, which shall enter into force at the same time as the entry into force of the Agreement.

I take this opportunity to renew to Your Excellency the assurances of my highest consideration.

Clinton Davis
Minister of State United Kingdom of Great Britain and Northern Ireland