هيئة الزكاة والضريبة والجمارك
Zakat, Tax and Customs Authority

CONVENTION BETWEEN

THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA

AND THE GOVERNMENT OF THE ITALIAN REPUBLIC

FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND ON CAPITAL AND THE PREVENTION OF TAX EVASION.

The Government of the Kingdom of Saudi Arabia and the Government of the Italian Republic,

Desiring to conclude a Convention to avoid double taxation with respect to taxes on income and on capital and to prevent tax evasion

Have agreed as follows:

Chapter I

Scope of the Convention

Article 1

PERSONAL SCOPE

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

Article 2

TAXES COVERED

1. This Convention shall apply to taxes on income and on capital imposed on behalf of each Contracting State or of its political or administrative subdivisions or local authorities, irrespective of the manner in which they are levied.

2. There shall be regarded as taxes on income and on capital all taxes imposed on total income and on total capital, or on elements of income or of capital, including taxes on gains from the alienation of movable or immovable property, taxes on the total amounts of wages or salaries paid by enterprises, as well as taxes on capital appreciation.

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

a) in the case of Italy:

i. the personal income tax (l'imposta sul reddito delle persone fisiche);

ii. the corporate income tax (l'imposta sul reddito delle societ);

iii. the regional tax on productive activities

(l'imposta regionale sulle attivit produttive);

iv. the substitute taxes (le imposte sostitutive);

whether or not they are collected by withholding at source

(hereinafter referred to as "Italian Tax")

b) in the case of Saudi Arabia:

i. the Zakat;

ii. the income tax including the natural gas investment tax;

whether or not they are collected by withholding at source

(hereinafter referred to as "Saudi Tax").

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

Chapter II

Definitions

Article 3

GENERAL DEFINITIONS

1. In this Convention, unless the context otherwise requires:

   a) the term "Italy" means the Italian Republic and includes any area beyond the territorial waters which is designated as an area within which Italy, in compliance with its legislation and in conformity with the International Law, exercises sovereign rights in respect of the exploration and exploitation of the natural resources of the seabed, the subsoil and the superjacent waters;

   b) the term "Kingdom of Saudi Arabia" means the territory of the Kingdom of Saudi Arabia which also includes the area outside the territorial waters, where the Kingdom of Saudi Arabia exercises its sovereign and jurisdictional rights in their waters, seabed, subsoil and natural resources by virtue of its law and the international law;

   c) the terms "a Contracting State" and "the other Contracting State " means the Italian Republic or the Kingdom of Saudi Arabia, as the context requires;

   d) the term "person" includes any individual, any company or any other body of persons, including trusts and foundations;

   e) the term "company" means any juridical person or any entity which is treated as a juridical person for tax purposes;

   f) 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;

g) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise which has its place of effective management in a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;

h) the term "nationals" means:

i. any individual possessing the nationality of a Contracting State;

ii. any legal person, partnership and association deriving their status as such from the laws in force in a Contracting State;

(Art. 3 contd.)

i) the term "competent authority" means:

i. in the case of Italy, the Ministry of Economy and Finance;

ii. in the case of the Kingdom of Saudi Arabia, the Ministry of Finance represented by Minister of Finance or his authorized representative.

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

Article 4

RESIDENT

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the laws of that State, is liable to tax therein by reason of his domicile, residence, place of management, or any other criterion of a similar nature, and also includes that State and any political subdivision or local authority thereof. This term, however, does not include any person who is liable to tax in that State in respect only of income from sources in that State or capital situated 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 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);

   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;

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

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

3. Where by reason of the provisions of paragraph 1, a person other than an individual is a resident of both Contracting States, then it shall be deemed to be a resident only of the State in which its place of effective management is situated.

Article 5

PERMANENT ESTABLISHMENT

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

2. The term "permanent establishment" shall include especially:

   a) a place of management;

   b) a branch;

   c) an office;

   d) a factory;

   e) a workshop;

   f) a mine, a quarry or other place of extraction of natural resources;

   g) a building site or construction, or assembly or installation project, or supervisory activities in connection therewith, but only where such site, project or activities continue for a period of more than six months;

   h) the furnishing of services, including consultancy services, by an enterprise throughemployees or other personnel engaged by the enterprise for such purpose, but only where activities of that nature continue (for the same or a connected project) within the country for a period or periods aggregating more than six months within any 12-month period.

3. The term "permanent establishment" shall not be deemed to include:

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

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

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

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

   e) the maintenance of a fixed place of business solely for the purpose of advertising, for the supply of information, for scientific research, or for similar activities which have a preparatory or auxiliary character for the enterprise.

   (Art.5 contd.)

4. A person acting in a Contracting State on behalf of an enterprise of the other Contracting State - other than an agent of an independent status to whom paragraph 5 applies - shall be deemed to be a permanent establishment in the first-mentioned State if he has, and habitually exercises in that State, an authority to conclude contracts in the name of the enterprise, unless his activities are limited to the purchase of goods or merchandise for the enterprise.

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

6. An enterprise in one of the two Contracting States shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on at the end of a trade exhibition or conference in the other Contracting State sale of goods or merchandise it displayed at the trade exhibition or conference.

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 State (whether through a permanent establishment or otherwise) shall not of itself constitute either company a permanent establishment of the other.

Chapter III

Taxation of Income

Article 6

INCOME FROM IMMOVABLE PROPERTY

1. Income derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other State.

2. The term "immovable property" shall be defined in accordance with the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture 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 shall also be considered as "immovable property". Ships, boats and aircraft shall not be regarded as immovable property.

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

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

Article 7

BUSINESS PROFITS

1. The profits of an enterprise of a Contracting State shall be taxable only in that State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other State but only so much of them as is attributable to that permanent establishment.

2. Subject to the provisions of paragraph 3, where an enterprise of a Contracting State carries on business in the other Contracting State through a permanent establishment situated therein, there shall in each Contracting State be attributed to that permanent establishment the profits which it might be expected to make if it were a distinct and separate enterprise engaged in the same or similar activities under the same or similar conditions and dealing wholly independently with the enterprise of which it is a permanent establishment.

3. In determining the profits of a permanent establishment, there shall be allowed as deduction 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.

   No such deduction shall be allowed in respect of amount paid (otherwise than towards reimbursement of actual expenses) by the permanent establishment to its head office or any of

its offices abroad, if any, by way of royalties, fees, commissions or other similar payments in return for the use of patents or other rights, or for specific services performed, or for management or by way of income from debt-claims with regard to money lent to such an establishment (except in the case of banking enterprises).

4. Insofar as it has been customary in a Contracting State to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various parts, nothing in paragraph 2 shall preclude that Contracting State from determining the profits to be taxed by such an apportionment as may be customary. The method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles embodied in this Article. (Art.7 contd.)

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

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

7. 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 TRANSPORT

1. Profits from the operation of ships in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

2. If the place of effective management of a shipping enterprise is aboard a ship or a 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 derived from the participation in a pool, a joint business or in an international operating agency.

Article 9

ASSOCIATED ENTERPRISES

1. Where

   a) an enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State,

or

   b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting State and an enterprise of the other Contracting State, and in either case conditions are made or imposed between the two enterprises in their commercial or financial relations which differ from those which would be made between independent enterprises, then any profits which would, but for those conditions, have accrued to one of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise and taxed accordingly.

2. Where a Contracting State includes in the profits of an enterprise of that State - and taxes accordingly - profits on which an enterprise of the other Contracting State has been charged to tax in that other State and the profits so included are profits which could 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 Convention and, in any case, any such adjustment shall be made only in accordance with the mutual agreement procedure in Article 25 of the Convention.

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:

   a) 5 per cent of the gross amount of the dividends if the beneficial owner is a company (other than a partnership) which has owned directly or indirectly at least 25 per cent of the capital of the company paying the dividends for a period of at least 12 months preceding the date the dividends were declared;

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

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

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

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

4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein or performs in that other State independent personal services from a fixed base situated therein and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such a case the dividends are taxable in that other Contracting State according to its own law. (Art. 10 contd.)

5. Where a company which is a resident of a Contracting State, derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except insofar as such dividends are paid to a resident of that other State or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment or a fixed base situated in that other State, nor subject the company's undistributed profits to a tax on the company's undistributed profits, even if the dividends paid or the undistributed profits consist wholly or partly of profits or income arising in such other State.

Article 11

INCOME FROM DEBT-CLAIMS

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

2. However, such income from debt-claims may also be taxed in the Contracting State in which it arises, and according to the law of that State, but if the recipient is the beneficial owner of the income from debt-claims, the tax so charged shall not exceed 5 per cent of the gross amount of the income from debt-claims. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

3. Notwithstanding the provisions of paragraph 2, income from debt-claims arising in a Contracting State shall be exempt from tax in that State if:

   a) the payer of the income from debt-claims is the Government of that Contracting State or a local authority thereof; or

   b) the income from debt-claims is paid to the Government of the other Contracting State or local authority thereof or any agency or instrumentality (including a financial institution) wholly owned by that other Contracting State or local authority thereof; or

   c) the income from debt-claims is paid to any other agency or instrumentality (including a financial institution) in relation to loans made in application of an agreement concluded between the Governments of the Contracting States.

4. The term "income from debt-claims" as used in this Article means income from Government securities, bonds or debentures, including premiums and prizes attaching to such securities, bond or debentures, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and debt-claims of every kind as well as all other income assimilated to income from money lent by the taxation law of the State in which the income arises.

5. The provisions of paragraphs from 1 to 3 shall not apply if the beneficial owner of the income from debt-claims, being a resident of a Contracting State, carries on business in the other Contracting State, in which the income from debt-claims 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 income from debt-claims is paid is effectively connected with such permanent establishment or fixed base. In such a case, the income from debt-claims is taxable in that other Contracting State according to its own law. (Art. 11 contd.)

6. Income from debt-claims shall be deemed to arise in a Contracting State when the payer is that State itself, a political or administrative subdivision, a local authority or a resident of that State. Where, however, the person paying the income from debt-claims, 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 income from debt-claims is paid was incurred, and such income from debt-claims is borne by such permanent establishment or fixed base, then such income from debt-claims shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.

7. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the income from debt-claims, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the law 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 with the laws of that State, but if the recipient is the beneficial owner of the royalties, the tax so charged shall not exceed 10per cent of the gross amount of the royalties. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this limitation.

3. The term "royalties" as used in this Article means payments 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, films or tapes for television or 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, and for information concerning industrial, commercial or scientific experience.

4. The provisions of paragraph 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 a case, the royalties are taxable in that other Contracting State according to its own law.

5. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a political or administrative subdivision, a local authority or 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 State in which the permanent establishment or fixed base is situated. (Art. 12 contd.)

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 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 that case, the excess part of the payments shall remain taxable according to the law of each Contracting State, due regard being had to the other provisions of this Convention.

Article 13

CAPITAL GAINS

1. Gains from the alienation of immovable property, as defined in paragraph 2 of Article 6, may be taxed in the Contracting State in which such property is situated.

2. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of movable property pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing 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.

3. Gains from the alienation of ships or aircraft operated in international traffic or movable property pertaining to the operation of such ships or aircraft shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

4. Gains from alienation of shares of the capital stock of a company the property of which consists directly or indirectly principally of an immovable property situated in a Contracting State may be taxed in that State.

5. Gains from the alienation of shares other than those mentioned in paragraph 4 representing a participation of 25 per cent in a company which is a resident of a Contracting State may be taxed in that State.

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

Article 14

INDEPENDENT PERSONAL SERVICES

1. Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that State 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 performing his activities; or

   b) if he is present in the other Contracting State for a period or periods exceeding in the aggregate 183 days in any twelve-month period commencing or ending in the fiscal year concerned; or

c) if the remuneration for his activities in the other Contracting State is paid by a resident of that Contracting State or is borne by a permanent establishment situated in that Contracting State and exceeds in the fiscal year 150,000 (one hundred and fifty thousand) USD or its equivalent in Italian or Saudi currency.

2. The term "professional services" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article 15

DEPENDENT PERSONAL SERVICES

1. Subject to the provisions of Articles 16, 17, 18, 19 and 20 salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. In this case, remuneration derived from such employment may be taxed in that other State if:

a) the recipient is present in the other Contracting State for a period or periods exceeding in the aggregate 183 days during the fiscal year concerned, or

b) the remuneration is paid by, or on behalf of, an employer who is a resident of the other Contracting State, or

c) the remuneration is borne by a permanent establishment which the employer has in the other Contracting State.

2. Notwithstanding the 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 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 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

3. Subject to the provisions of paragraph 2 of Article 19, 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.

4. If a resident of a Contracting State becomes a resident of the other Contracting State, payments received by such resident on the cessation of his employment in the first-mentioned State as severance payments (indemnities) or similar lump sum payments, are taxed in that Contracting State. In this paragraph, the expression "severance payments (indemnities)" includes any payment made in consequence of the termination of any office or employment of a person.

Article 19

GOVERNMENT SERVICE

1. first:

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

   b) However, such 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:

      i. is a national of that State, or

      ii. did not become a resident of that State solely for the purpose of rendering the services.

2. second:

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

   b) However, such pension shall be taxable only in the other Contracting State if the individual is a national of and a resident of that State.

3. The provisions of Articles 15, 16 and 18 shall apply to remunerations or pensions in respect of services rendered in connection with business carried on by one of the Contracting State or a political or administrative subdivision or a local authority thereof.

Article 20

TEACHERS AND RESEARCHERS

Remunerations which a teacher or researcher who is or was resident in a Contracting State prior to being invited to the other Contracting State for the purpose of teaching or conducting research receives in respect of such activities shall not be taxed in that other Contracting State for a period not exceeding two years.

Article 21

STUDENTS

1. Payments which a student or business apprentice who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned 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 State, provided that such payments arise from sources outside that State.

2. Income derived by a student, an apprentice or business trainee in respect of activities exercised in a Contracting State in which he is present solely for the purpose of his education or training, shall not be taxable in that State, during a reasonable period of time for such an education or training unless it exceeds the amount necessary for his maintenance, education or training.

Article 22

OTHER INCOME

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

2. The provisions of paragraph 1 shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6, 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 items of income are taxable in that other Contracting State according to its own law.

Chapter IV

Taxation of Capital

Article 23

CAPITAL

1. Capital represented by immovable property referred to in Article 6, owned by a resident of a Contracting State and situated in the other Contracting State, may be taxed in that other State.

2. Capital represented by 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 by 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 may be taxed in that other State.

3. Capital represented by ships and aircraft operated by an enterprise of a Contracting State in international traffic, or by movable property pertaining to the operation of such ships and aircraft, shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

4. All other elements of capital of a resident of a Contracting State shall be taxable only in that State.

Chapter V

Methods for Elimination of Double Taxation

Article 24

ELIMINATION OF DOUBLE TAXATION

1. It is agreed that double taxation shall be avoided in accordance with the following paragraphs of this Article.

2. In the case of Italy

   If a resident of Italy owns items of income which are taxable in Saudi Arabia, Italy, in determining its income taxes specified in Article 2 of this Convention, may include in the basis upon which such taxes are imposed the said items of income, unless specific provisions of this Convention otherwise provide.

   In such a case, Italy shall deduct from the taxes so calculated the income tax paid in Saudi Arabia but in an amount not exceeding that proportion of the aforesaid Italian tax which such items of income bear to the entire income.

3. In the case of Saudi Arabia

   If a resident of Saudi Arabia derives income which, in accordance with the provisions of this Convention, may be taxed in Italy, then Saudi Arabia shall allow as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in Italy

   Such deduction in either case shall not, however, exceed that part of the income tax, as computed before the deduction is given, which is attributable to the income or the capital which may be taxed in Italy.

4. For the purposes of the provisions in paragraphs 2 and 3 of this Article, where tax on business profits arising in a Contracting State is exempted or reduced for a limited period of time in accordance with the laws and regulations of that State to promote foreign investments for economic development purposes, such tax which has been exempted or reduced shall be deemed to have been paid. The provisions of this paragraph shall apply for the first 10 years for which this Convention is effective

Chapter VI

Special Provisions

Article 25

MUTUAL AGREEMENT PROCEDURE

1. Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident. The case must be presented within two years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.

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

3. The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Convention. They may also consult together for the elimination of double taxation in cases not provided for in the Convention.

4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs. When it seems advisable in order to reach agreement to have an oral exchange of opinions, such exchange may take place through a Commission consisting of representatives of the competent authorities of the Contracting States.

Article 26

EXCHANGE OF INFORMATION

1. The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Convention or of the domestic laws concerning taxes of every kind and description imposed on behalf of the Contracting States, or of their political, or administrative subdivisions or local authorities, insofar as the taxation thereunder is not contrary to the Convention as well as to prevent tax evasion. The exchange of information is not restricted by Articles 1 and 2. Any information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of the State 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 referred to in the first sentence. 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 or the administrative practice of that or of the other Contracting State;

   b) to supply information which is not obtainable under the laws or in the normal course of the administration of that State or of the other Contracting State;

   c) to supply information which would disclose any trade, business, industrial, commercial or professional secret or trade process or information, the disclosure of which would be contrary to public policy (ordre public).

Article 27

DIPLOMATIC AGENTS AND CONSULAR OFFICERS

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

Article 28

REFUNDS

1. Taxes withheld at the source in a Contracting State will be refunded at the request of the taxpayer or of the Contracting State of which he is a resident if the right to collect the said taxes is affected by the provisions of this Convention.

2. Claims for refund, that shall be presented within the time limit fixed by the law of the Contracting State which is obliged to carry out the refund, shall be accompanied by an official

certificate of the Contracting State of which the taxpayer is a resident certifying the existence of the conditions required for being entitled to the application of the allowances provided for by this Convention.

3. The competent authorities of the Contracting States shall by mutual agreement settle the mode of application of this Article, in accordance with the provisions of Article 26 of this Convention.

Article 29

MISCELLANEOUS PROVISIONS

Chapter VII

Final Provisions

Article 30

1. Each Contracting State shall notify the other Contracting State, through diplomatic channels, of the completion of the legal procedures required for the entry into force of this Convention. This Convention shall enter into force for the first time as of the first day of the second month following that month in which the last notice was given.

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

   a) in respect of taxes withheld at source, to amounts paid on or after 1st January in any calendar year next following that in which the Convention enters into force;

   b) in respect of other taxes on income and on capital, to taxes chargeable for any taxable period beginning on or after 1st January in any calendar year next following that in which the Convention enters into force.

Article 31

TERMINATION

1. This Convention shall remain in force for a period of ten years and shall remain in force thereafter for an unlimited period unless denounced in writing, through diplomatic channels, by either Contracting State twelve months before its expiration.

2. After the expiry of the period of ten years, this Convention may be denounced at any time, in writing through diplomatic channels, by either Contracting State twelve months before termination date.

3. 3. In the case of application of this Convention for the last time:

   a) In the case of taxes withheld at the source on the amounts paid on or before 31 December of the calendar year in the course of which the notice of termination of this Convention was given.

   b) In the case of other taxes on income or on capital derived or owned in the calendar year in which the notice of termination of this Convention was given.

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

Done at Riyadh on January 13th, 2007, in two originals, each in the Arabic, Italian and English languages, all texts being equally authentic. In case of divergence on interpretation or application, the English text shall prevail.

For the Government of the
Kingdom of Saudi Arabia
The Minister of Finance
Dr. Ibrahim Al-Assaf

For the Government of the Italian Republic
The Vice Prime Minister and Minister of
Foreign Affairs
Hon. Massimo D›Alema

ADDITIONAL PROTOCOL

to the Convention between the Government of the Kingdom of Saudi Arabia and the Government of the Italian Republic for the avoidance of double taxation with respect to taxes on income and on capital and the prevention of tax evasion.

At the signing of the Convention between the Government of the Kingdom of Saudi Arabia and the Government of the Italian Republic for the avoidance of double taxation with respect to taxes on incomeand on capital and the prevention of tax evasion, the undersigned have agreed upon the following additional provisions which shall form an integral part of the said Convention.

It is understood that:

IN WITNESS WHEREOF the undersigned, duly authorised thereto, have signed this Additional Protocol.

Done at Riyadh on January 13th , 2007, in two originals, each in the Arabic, Italian and English languages, all texts being equally authentic. In case of divergence on interpretation or application, the English text shall prevail.

1. With reference to Article 2, paragraph 3, letter b), if Italy will introduce in the future a tax on capital, this Convention shall apply to such tax, and double taxation shall be avoided according to the provisions of Article 24 of the Convention.

2. With reference to Article 3, paragraph 1, letter d), the term "person" shall also include any political body (the State, its political or administrative subdivisions or local authorities) and partnerships.

3. With reference to Article 4, paragraph 1, the term "resident" shall include a legal person organized under the laws of a Contracting State and that is generally exempt from tax in that State and is established and maintained in that State either:

i. exclusively for a religious, charitable, educational, scientific, or other similar purpose; or

ii. to provide pensions or other similar benefits to employees pursuant to a plan in this respect.

4. With reference to Article 7:

a. the term "profits" includes, but is not limited to, income derived from manufacturing, mercantile, banking, insurance, from operation of inland transportation, the furnishing of services and the rental of tangible movable property . Such a term does not include the performance of personal services by an individual either as an employee or in an independent capacity;

b. the term "expenses which are incurred for the purposes of the permanent establishment" provided for in paragraph 3 of the said Article, means the expenses directly connected with the activity of the permanent establishment;

c. nothing in this Article shall affect the operation of any law of a Contracting State relating to tax imposed on profits from insurance with non-residents provided that if the relevant law

(Additional Protocol contd.)

in force in either Contracting State at the date of signature of this Convention is varied (otherwise than in minor respect so as not to affect its general character) the Contracting State shall consult with each other with a view to agreeing to any amendment of this paragraph as may be appropriate.

d. notwithstanding the other provisions of the said Article, the profits derived by a resident of a Contracting State from the exportation of merchandise to the other Contracting State shall not be taxed in that other Contracting State. Where export contracts include other activities carried on in a permanent establishment of that person in the other Contracting State, income derived from such activities may be taxed in the other Contracting State .

5. As far as the profits from the operation of aircraft in international traffic are concerned, the provisions of the Agreement between the Republic of Italy and the Kingdom of Saudi Arabia for the Avoidance of Double Taxation with respect to taxes on income and on capital derived by air transport companies, signed at Riyadh on 24 November 1985, shall continue to have effect.

6. With reference to Article 8, profits from the operation in international traffic of ships shall include:

profits derived from the rental on a bare boat basis of ships used in international traffic,

a. profits derived from the use or rental of containers if such profits are incidental to the other profits from the operation of ships in international traffic.

7. With reference to paragraph 4 of Article 10, paragraph 5 of Article 11, paragraph 4 of Article 12, paragraph 2 of Article 22, the last sentence contained therein shall not be construed as being contrary to the principles embodied in Articles 7 and 14 of this Convention.

8. For the purpose of paragraph 4 of Article 11, penalty charges for late payment shall not be regarded as income from debt-claims.

9. With reference to Article 18, the provisions of paragraph 1 shall not apply if the recipient of the income is not subject to tax in respect of such income in the State of which he is a resident and according to the laws of that State. In such a case, such income may be taxed in the State where it arises.

10. With reference to paragraphs 1 and 2 of Article 19, remuneration paid to an individual in respect of services rendered to the Bank of Italy or the Saudi Arabian Monetary Agency and to the Italian Foreign Trade Institution (I.C.E.) or to similar Saudi institution, is covered by the provisions concerning government service

(Additional Protocol contd.)

11. With reference to paragraph 2 of Article 24, no deduction will be granted if the item of income is subjected in Italy to a substitute tax or to a final withholding tax, or to substitute taxation with the same rate provided for the final withholding tax, even upon request of the recipient of the said income in accordance with the Italian law.

12. With reference to paragraph 3 of Article 24, the method for elimination of double taxation will not prejudice to the provisions of the Zakat collection regime as regards Saudi nationals.

13. The provisions of paragraph 3 of Article 28 shall not prevent the competent authorities of the Contracting States from the carrying out, by mutual agreement, of other practices for the application of the limitations provided for in this Convention.

14. In the case in which Saudi Arabia will introduce an income tax applicable to its nationals who are residents of Saudi Arabia, or the existing tax will be modified accordingly, then the two Contracting States shall enter into negotiations in order to introduce in the Convention an article on non-discrimination.

15. Nothing in this Convention shall prevent either Contracting State in applying its domestic tax laws in order to prevent tax evasion and tax avoidance.