Date of Signature:31 May 2021

CONVENTION

Between

The Government of the United Arab Emirates

and

The Government of the State of Israel

for

The Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income

The Government of the United Arab Emirates and the Government of the State of Israel

Further *to the* "*Treaty of Peace, Diplomatic Relations and Full Normalization between the United Arab Emirates and the State of Israel*", signed in Washington DC, on 15 September 2020 (hereinafter, "the Peace Treaty"), and in particular Article 5 thereof, the *Agreed Protocol* signed in Abu Dhabi on 1 September 2020, and the Mutual Economic Cooperation Memorandum of Understanding between the Ministries of Finance signed in Tel Aviv, on 20 October, 2020;

Recalling the agreed principles for cooperation in the sphere of Finance and Investment, which were annexed to the Peace Treaty, and *recognizing* the high priority of concluding Agreements in the sphere of Finance, and their key role in the Economic Development of both States and the Middle East as a whole;

Intending to conclude a Convention for the elimination of double taxation with respect to the taxes on income without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance (including through treaty-shopping arrangements aimed at obtaining reliefs provided in this Convention for the indirect benefit of residents of third States);

Have agreed as follows:

Chapter I
SCOPE OF THE CONVENTION

ARTICLE 1
Persons Covered

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

2. For the purposes of this Convention, income derived by or through an entity or arrangement that is treated as wholly or partly fiscally transparent under the tax law of either Contracting State shall be considered to be income of a resident of a Contracting State but only to the extent that the income is treated, for purposes of taxation by that Contracting State, as the income of a resident of that Contracting State. In no case shall the provisions of this paragraph be construed to affect a Contracting State's right to tax the residents of that Contracting State.

3. Provisions of this Convention that require a Contracting State to exempt from income tax or provide a deduction or credit equal to the income tax paid with respect to income derived by a resident of that Contracting State which may be taxed in the other Contracting State according to the provisions of this Convention shall not apply to the extent that such provisions allow

taxation by that other Contracting State solely because the income is also income derived by a resident of that other Contracting State.

4. This Convention shall not affect the taxation, by a Contracting State, of its residents except with respect to the benefits granted under paragraph 3 of Article 7 (Business Profits), paragraph 2 of Article 9 (Associated Enterprises) and Articles 19 (Government Service), 20 (Professors, Teachers and Researchers), 21 (Students) 23 (Elimination of Double Taxation), 24 (Non-discrimination), 25 (Mutual Agreement Procedure) and 27 (Members of Diplomatic Missions and Consular Posts).

ARTICLE 2
Taxes Covered

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

2. There shall be regarded as taxes on income all taxes imposed on total income, or on elements of income, including taxes on gains from the alienation of movable or immovable property, 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 Israel:
   i) the income tax and company tax (including tax on capital gains);
   ii) the tax imposed on gains from the alienation of property according to the Real Estate Taxation Law; and

   (hereinafter referred to as "Israeli tax");

b) in the United Arab Emirates:
   i. Income tax;
   ii. Corporate tax.

(hereinafter referred to as "United Arab Emirates tax").

4. The Convention shall apply also to any identical or substantially similar taxes that are imposed after the date of signature of the 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 changes that have been made in their taxation laws.

Chapter II
DEFINITIONS

ARTICLE 3
General Definitions

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

a) the term “Israel” means the State of Israel and when used in a geographical sense comprises the territory in which the Government of the State of Israel has taxation rights, including its territorial sea, as well as those maritime areas adjacent to the outer limit of the territorial sea, including seabed and subsoil thereof over which the State of Israel, in accordance with international law and the laws of the State of Israel, exercises its sovereign or other rights and jurisdiction;

b) the term “United Arab Emirates” means when used in a geographical sense, means the territory of the United Arab Emirates which is under its sovereignty as well as the area outside the territorial water, airspace and submarine areas over which the United Arab Emirates exercises, in accordance of its international law and the law of United Arab Emirates sovereign and jurisdictional rights including the Exclusive Economic Zone and the mainland under its jurisdiction in respect of any activity carried on in its water, sea bed, subsoil, in connection with the exploration for or the exploitation of natural resources by virtue of its law and international law.

c) the terms “a Contracting State” and “the other Contracting State” mean Israel or United Arab Emirates, as the context requires;

d) the term “person” includes an individual, a pension plan, a company, a trust and any other body of persons;

e) the term “company” means any body corporate or any entity that is treated as a body corporate for tax purposes;

f) the term “enterprise” applies to the carrying on of any business;

g) the terms “enterprise of a Contracting State” and “enterprise of the other Contracting State” mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;

h) the term "international traffic" means any transport by a ship or aircraft except when the ship or aircraft is operated solely between places in a Contracting State and the enterprise that operates the ship or aircraft is not an enterprise of that State;

i) the term “competent authority” means:

(i) in Israel, the Minister of Finance or his authorised representative;

(ii) in the United Arab Emirates, the Minister of Finance or his authorised representative;

j) the term “national”, in relation to a Contracting State, means:

(i) in relation to Israel, any individual possessing the nationality of Israel and any legal person, partnership or association deriving its status as such from the laws in force in Israel;

(ii) in relation to the United Arab Emirates, any individual possessing the nationality of the United Arab Emirates and any legal person, partnership or association deriving its status as such from the laws in force in the United Arab Emirates;

k) the term “business” includes the performance of professional services and of other activities of an independent character;

l) the term “pension plan” means any plan, scheme, fund, trust or other arrangement established in a Contracting State and:

(i) is established and operated exclusively or almost exclusively to administer or provide retirement benefits and ancillary or incidental benefits to individuals and that is regulated as such by that State or one of its political subdivisions or local authorities; and

(ii) is generally exempt from income taxation in that State or, in the case of Israel, is a pension plan that has been approved in accordance with the provisions of the Control of Financial Services Act (Provident Funds) 2005, as a pension Provident Fund;

m) the term "qualified government entity" means:

(i) the Central Bank of the United Arab Emirates;

(ii) the Abu Dhabi Investment Authority;

(iii) the Emirates Investment Authority;

(iv) the Mubadala Investment Company;

(v) the Investment Corporation of Dubai; and

(vi) any other entity the capital of which is wholly directly owned by the federal or local Governments of the United Arab Emirates, including a political subdivision and local authority thereof, as may be agreed upon from time to time between the Governments of the Contracting States through notifications by the competent authorities;

Provided that an entity mentioned in subparagraphs (ii), (iii), (iv), (v) and (vi) is wholly directly owned by the government and its place of effective management is in the United Arab Emirates. The United Arab Emirates' competent authority shall notify the Israeli competent authority if an entity of those listed above no longer meets the above-mentioned criteria or if there was a substantial change in the entity's legal structure.

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:

a) in the case of Israel, any person who, under the laws of Israel, 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.

b) In the case of the United Arab Emirates,

(i) an individual who is present in the United Arab Emirates for a period or periods in the aggregate of 183 days or more in each of the tax year concerned and the previous tax year, provided that such individual can prove that he is a domicile of the United Arab Emirates and that his personal and economic relations are closer to the United Arab Emirates than to any other State;

(ii) a qualified government entity or a company which is incorporated in the United Arab Emirates, provided that such entity or company can prove that its place of effective management is in the United Arab Emirates, and that its capital is wholly beneficially owned by the United Arab Emirates or by a qualified government entity of the United Arab Emirates or a federal or local governments

or by individuals being residents of the United Arab Emirates, and the company is controlled by the aforementioned residents.

c) In the case of both Contracting States, the term "resident of a Contracting State" shall also include a Contracting State and any political subdivision or local government or local authority thereof, as well as a recognised pension fund of that Contracting State. This term, however, does not include any person who is liable to tax in that Contracting State in respect only of income from sources in that Contracting State.

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 his personal and economic relations are closer (centre of vital interests); if the State in which he has his centre of vital interests cannot be determined, he shall be deemed to be a resident only of the State in which he has a permanent home available to him;

b) if he has a permanent home available to him in both State, 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, such person shall be deemed not to be a resident of either Contracting State for the purposes of the Convention, and shall not be entitled to any relief or exemption from tax provided by this Convention except to the extent and in such a manner as may be agreed upon by the competent authorities of the Contracting States.

ARTICLE 5
Permanent Establishment

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

2. The term “permanent establishment” includes especially:

a) a place of management;

b) a branch;

c) an office;

d) a factory;

e) a workshop; and

f) a mine, an oil or gas well, a quarry or any other place of exploration, extraction or exploitation of natural resources.

3. a) A building site or construction or installation project constitutes a permanent establishment only if it lasts more than six months.

b) An enterprise of a Contracting State shall be deemed to have a permanent establishment in the other Contracting State if substantial mechanical or scientific equipment or machinery is used or installed for more than six months, in that other Contracting State under a contract with the enterprise.

4. Notwithstanding the preceding provisions of this Article, the term "permanent establishment" shall be deemed not to include:

a) the use of facilities solely for the purpose of storage, display 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 carrying on, for the enterprise, any other activity;

f) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs a) to e),

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

4.1. Paragraph 4 shall not apply to a fixed place of business that is used or maintained by an enterprise if the same enterprise or a closely related enterprise carries on business activities at the same place or at another place in the same Contracting State and

a) that place or other place constitutes a permanent establishment for the enterprise or the closely related enterprise under the provisions of this Article, or

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

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

5. Notwithstanding the provisions of paragraphs 1 and 2, but subject to paragraph 6, where a person is acting in a Contracting State on behalf of an enterprise and, in doing so, habitually concludes contracts, or habitually plays the principal role leading to the conclusion of contracts that are routinely concluded without material modification by the enterprise, and these contracts are:

a) in the name of the enterprise, or

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

c) for the provision of services by that enterprise,

that enterprise shall be deemed to have a permanent establishment in that 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 which, if exercised through a fixed place of business (other than a fixed place of business to which paragraph 4.1 would apply), would not make this fixed place of business a permanent establishment under the provisions of that paragraph.

6. Paragraph 5 shall not apply where the person acting in a Contracting State on behalf of an enterprise of the other Contracting State carries on business in the first-mentioned Contracting State as an independent agent and acts for the enterprise in the ordinary course of that business. Where, however, a person acts exclusively or almost exclusively on behalf of one or more enterprises to which it is closely related, that person shall not be considered to be an independent agent within the meaning of this paragraph with respect to any such enterprise.

7. For the sole purpose of determining whether the six-months period referred to in paragraph 3 has been exceeded,

a) where an enterprise of a Contracting State carries on activities in the other Contracting State at a place that constitutes a building site or construction or installation project and these activities are carried on during one or more periods of time that, in the aggregate, exceed 30 days without exceeding six months, and

b) connected activities are carried on at the same building site or construction or installation project during different periods of time, each exceeding 30 days, by one or more enterprises closely related to the first-mentioned enterprise,

these different periods of time shall be added to the period of time during which the first-mentioned enterprise has carried on activities at that building site or construction or installation project.

8. 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.

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

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 have the meaning which it has under the law of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture

and forestry, rights to which the provisions of general law respecting landed property apply, any option or similar right to acquire immovable property, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships 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.

ARTICLE 7
Business Profits

1. 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 that are attributable to the permanent establishment in accordance with the provisions of paragraph 2 may be taxed in that other State.

2. For the purposes of this Article and Article 23 (Elimination of Double Taxation), the profits that are attributable in each Contracting State to the permanent establishment referred to in paragraph 1 are the profits it might be expected to make, in particular in its dealings with other parts of the enterprise, if it were a separate and independent enterprise engaged in the same or similar activities under the same or similar conditions, taking into account the functions performed, assets used and risks assumed by the enterprise through the permanent establishment and through the other parts of the enterprise.

3. Where, in accordance with paragraph 2, a Contracting State adjusts the profits that are attributable to a permanent establishment of an enterprise of one of the Contracting States and taxes accordingly profits of the enterprise that have been charged to tax in the other State, the other State shall, to the extent necessary to eliminate double taxation on these profits, make an appropriate adjustment to the amount of the tax charged on those profits. In determining such adjustment, the competent authorities of the Contracting States shall if necessary consult each other.

4. Notwithstanding the provisions of paragraph 1, profits of an enterprise of a Contracting State derived from insurance and re-insurance activities by insuring property situated in the other Contracting State or persons who are residents thereof at the moment of signature of the insurance contract, may be taxable in that other State.

5. 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
International Shipping and Air Transport

1. Profits of an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that State.

2. The provisions of paragraph 1 shall also apply to profits from the participation in a pool, a joint business or 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 Contracting State and the profits so included are profits which would have accrued to the enterprise of the first-mentioned Contracting State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other Contracting 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 the competent authorities of the Contracting States shall if necessary consult each other.

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 Contracting 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 beneficial owner of the dividends is a resident of the other Contracting State, the tax so charged shall not exceed:

a) 0 per cent of the gross amount of the dividends if the beneficial owner is a pension plan of the other Contracting State or the Government of the other Contracting State, which holds less than 5 per cent of the capital of the company paying the dividends;

b) 5 per cent of the gross amount of the dividends if the beneficial owner is the Government of the other Contracting State which holds at least 5 per cent of the capital of the company paying the dividends;

c) 5 per cent of the gross amount of the dividends if the beneficial owner is a company which holds directly at least 10 per cent of the capital of the company paying the dividends throughout a 365 day period that includes the day of the payment of the dividends (for the purpose of computing that period, no account shall be taken of changes of ownership that would directly result from a corporate reorganisation, such as a merger or divisive reorganisation, of the company that holds the shares or that pays the dividends);

d) 15 per cent of the gross amount of the dividends in all other cases.

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 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 and the holding in respect of which the dividends are paid is effectively

connected with such permanent establishment. In such case the provisions of Article 7 (Business Profits) shall apply.

5. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except 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 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
Interest

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, interest arising in a Contracting State may also be taxed in that State according to the laws of that State, but if the beneficial owner of the interest is a resident of the other Contracting State, the tax so charged shall not exceed 10 per cent of the gross amount of the interest.

3. a) Notwithstanding the provisions of paragraph 2, interest arising in a Contracting State shall be exempt from tax in that State if the beneficial owner of the interest is a pension plan of the other Contracting State or the Government of the other Contracting State;

b) subparagraph a) shall not apply if the beneficial owner, of the interest holds 50 per cent or more of the capital of the company paying the interest. In such case the tax so charged shall not exceed 5 per cent of the gross amount of the interest.

4. The term “interest” as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor’s profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. Penalty charges for late payment shall not be regarded as interest for the purpose of this Article.

5. The provisions of paragraphs 1, 2 and 3 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, and the debt-claim

in respect of which the interest is paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 (Business Profits) shall apply.

6. Interest shall be deemed to arise in a Contracting State when the payer is a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment, then such interest shall be deemed to arise in the State in which the permanent establishment 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 interest, having regard to the debt-claim for which it is paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

ARTICLE 12
Royalties

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.

2. However, such royalties may also be taxed in the Contracting State in which they arise and according to the laws of that State, but if the beneficial owner of the royalties is a resident of the other Contracting State, the tax so charged shall not exceed 12 per cent of the gross amount of the royalties.

3. The term “royalties” as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films, 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. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 (Business Profits) shall apply.

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 in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment, then such royalties shall be deemed to arise in the State in which the permanent establishment is situated.

6. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the royalties, having regard to the use, right or information for which they are paid, exceeds the amount which would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

ARTICLE 13
Capital Gains

1. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 (Income from Immovable Property) and situated in the other Contracting State may be taxed in that other State.

2. Gains derived by a resident of a Contracting State from the alienation of shares or comparable interests, such as interests in a partnership or trust, may be taxed in the other Contracting State if, at any time during the 365 days preceding the alienation, these shares or comparable interests derived more than 50 per cent of their value directly or indirectly from immovable property as defined in Article 6, situated in that other Contracting State.

3. When the provisions of Paragraph 2 are not applicable, gains derived by a resident of a Contracting State from the alienation of shares, other rights and comparable interests in a company, partnership or trust, which are not traded in a recognised stock exchange, that is a resident of the other Contracting State may be taxed in that other State, but the tax so charged shall not exceed:

a) 0 percent if the gains derived by the government of the first mentioned Contracting State which owned, directly or indirectly, at any time during the 12-month period preceding such sale, exchange or other disposition, interests granting less than 10 percent of the voting power of the company, partnership or trust.

b) 5 percent if the gains derived by the government of the first mentioned Contracting State which owned, directly or indirectly, at any time during the 12-month period preceding such sale, exchange or other disposition, interests granting 10 percent or more of the voting power of the company, partnership or trust.

c) 10 percent if the gains derived by a resident of the first mentioned Contracting State which owned, directly or indirectly, at any time during the 12-month period preceding such sale, exchange or other disposition, interests granting less than 10 percent of the voting power of the company, partnership or trust.

4. 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, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise), may be taxed in that other State.

5. Gains that an enterprise of a Contracting State that operates ships or aircraft in international traffic derives from the alienation of such ships or aircraft, or of movable property pertaining to the operation of such ships or aircraft, shall be taxable only 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, if that resident is the beneficial owner of the property from which the capital gains are derived.

7. The provisions of this Article shall not affect the right of a Contracting State to tax, in accordance with its laws, income from the alienation of any property derived by a person who is a resident of that State at any time during the year of income in which the property is alienated, or has been so resident at any time during the 5 years immediately preceding that year.

ARTICLE 14
Branch tax

1. A company which is a resident of the United Arab Emirates may be subject in Israel to a tax in addition to the tax allowable under the other provisions of this Convention.

2. Such tax may be imposed only on amounts sufficient to provide that a branch in Israel of a United Arab Emirates company (or a company of the United Arab Emirates otherwise taxable on net income in Israel) is taxed in a manner comparable to a similarly situated Israeli company and its United Arab Emirates shareholder.

3. The taxes described in paragraph 2 shall not be imposed at a rate in excess of 5 percent.

ARTICLE 15
Income from Employment

1. Subject to the provisions of Articles 16 (Directors' Fees), 18 (Pensions), 19 (Government Service) and 20 (Professors, Teachers and Researchers), salaries, wages and other similar

remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.

2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:

a) the recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in any twelve month period commencing or ending in the fiscal year concerned; and

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

c) the remuneration is not borne by a permanent establishment which the employer has in the other State.

3. Notwithstanding the preceding provisions of this Article, remuneration derived by a resident of a Contracting State in respect of an employment, as a member of the regular complement of a ship or aircraft, that is exercised aboard a ship or aircraft operated in international traffic, other than aboard a ship or aircraft operated solely within the other Contracting State, shall be taxable only in the first-mentioned State. Where, however, the ship or aircraft is operated by an enterprise of the other Contracting state, such remuneration may also be taxed in the other state.

4. Income from severance pay paid to a resident of a Contracting State in consideration of past employment in both Contracting States, shall be taxed in each Contracting State according to the period of employment in that State.

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
Entertainers and Sportspersons

1. Notwithstanding the provisions of Article 15 (Income from Employment), 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 sportsperson, from that resident's 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 sportsperson in his capacity as such accrues not to the entertainer or sportsperson himself but to another person, that income may, notwithstanding the provisions of Articles 7 (Business Profits) and 15 (Income from Employment), be taxed in the Contracting State in which the activities of the entertainer or sportsperson are exercised.

3. The provisions of paragraphs 1 and 2 shall not apply to income derived from activities exercised in a Contracting State by an entertainer or sportsperson of the other Contracting State if the visit to the first mentioned Contracting State is wholly or mainly supported by the other Contracting States or a political subdivision or local authorities thereof.

ARTICLE 18
Pensions

Subject to the provisions of paragraph 2 of Article 19 (Government Service), pensions and other similar remuneration paid by a resident of a Contracting State to a resident of the other Contracting State may be taxed in the first Contracting State according to the laws of that State.

ARTICLE 19
Government Service

1. a) Salaries, wages and other similar remuneration 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.

   b) However, such salaries, wages and other similar 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. a) Notwithstanding the provisions of paragraph 1, pensions and other similar remuneration 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.

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

3. The provisions of Articles 15 (Income from Employment), 16 (Directors' Fees), 17 (Artistes and Sportspersons) and 18 (Pensions) shall apply to salaries, wages, pensions, and other similar remuneration 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
Professors, Teachers and Researchers

1. An individual who visits one of the Contracting States, for a period not exceeding two years, for the purpose of teaching or engaging in research at a university, college, school or other recognised educational institution in that Contracting State, and who immediately before that visit was a resident of the other Contracting State, shall, for a period not exceeding two years from the date of his first arrival in that first-mentioned State for that purpose, be exempt from tax in that Contracting State on the remuneration for such teaching or research.

2. No exemption shall be granted under paragraph 1 with respect to any remuneration for research if such research is undertaken not in the public interest but primarily for the private benefit of a specific person or persons.

ARTICLE 21
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 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.

ARTICLE 22
Other Income

1. Items of income beneficially owned by a resident of a Contracting State, arising in the other contracting state, not dealt with in the foregoing Articles of this Convention may be taxed in the other Contracting State according to the laws of 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 (Income from Immovable Property), if the

beneficial owner of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 (Business Profits) shall apply.

3. Where, by reason of a special relationship between the resident referred to in paragraph 1 and some other person, or between both of them and some third person, the amount of the income referred to in that paragraph 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 Convention.

Chapter IV
METHODS FOR ELIMINATION OF DOUBLE TAXATION

ARTICLE 23
Elimination of Double Taxation

1. In the case of Israel double taxation shall be avoided as follows:

a) Where a resident of Israel derives income which, in accordance with the provisions of this Convention, may be taxed in the United Arab Emirates, Israel shall (subject to the laws of Israel regarding the allowance of a credit of foreign taxes, which shall not affect the general principle contained in this paragraph) allow as a deduction from the tax on the income of that resident, an amount equal to the tax paid in the United Arab Emirates.

b) Such deductions shall not, however, exceed that part of the income tax as computed before the deduction is given, which is attributable to the income which may be taxed in the United Arab Emirates.

2. In the case of the United Arab Emirates double taxation shall be avoided as follows:

a) Where a resident of the United Arab Emirates derives income which, in accordance with the provisions of this Convention, may be taxed in Israel, the United Arab Emirates shall (subject to the laws of the United Arab Emirates regarding the allowance of a credit of foreign taxes, which shall not affect the general principle contained in this paragraph) allow as a deduction from the tax on the income of that resident, an amount equal to the tax paid in Israel.

b) Such deductions shall not, however, exceed that part of the income tax as computed before the deduction is given, which is attributable to the income which may be taxed in the Israel.

3. For the purposes of paragraphs 1 and 2, profits, income and gains owned by a resident of a Contracting State which may be taxed in the other Contracting State in accordance with this Convention shall be deemed to arise from sources in that other State.

Chapter V
SPECIAL PROVISIONS

ARTICLE 24
Non-discrimination

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected 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. 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. Nothing in this Article shall be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

4. Except where the provisions of paragraph 1 of Article 9 (Associated Enterprises), paragraph 6 of Article 11 (Interest), paragraph 6 of Article 12 (Royalties) or paragraph 3 of Article 22 (Other Income) 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.

5. 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.

6. The provisions of this Article shall apply to the taxes referred to in Article 2 (Taxes Covered) of this Convention.

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 or, if his case comes under paragraph 1 of Article 24 (Non-discrimination), to that of the Contracting State of which he is a national. The case must be presented within three years from the first notification of the action resulting in taxation not in accordance with the provisions of the Convention.

2. The competent authority shall 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.

ARTICLE 26
Exchange of Information

1. The competent authorities of the Contracting States shall exchange such information as is foreseeably relevant for carrying out the provisions of this Convention or to the administration or enforcement of the domestic laws of the Contracting States concerning taxes covered by this Convention imposed on behalf of the Contracting States, or of their political subdivisions or local authorities, insofar as the taxation thereunder is not contrary to the Convention. The exchange of information is not restricted by Article 1 (Persons Covered).

2. Any information received under paragraph 1 by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with the assessment or collection of, the enforcement or prosecution in respect of, the determination of appeals in relation to taxes of every kind and description, or the oversight of the above. 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.

3. In no case shall the provisions of paragraphs 1 and 2 be construed so as to impose on a Contracting State the obligation:

a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting State;

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

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

4. If information is requested by a Contracting State in accordance with this Article, the other Contracting State shall use its information gathering measures to obtain the requested information, even though that other State may not need such information for its own tax purposes. The obligation contained in the preceding sentence is subject to the limitations of paragraph 3 but in no case shall such limitations be construed to permit a Contracting State to decline to supply information solely because it has no domestic interest in such information.

5. In no case shall the provisions of paragraph 3 be construed to permit a Contracting State to decline to supply information solely because the information is held by a bank, other financial institution, nominee or person acting in an agency or a fiduciary capacity or because it relates to ownership interests in a person.

ARTICLE 27
Members of Diplomatic Missions and Consular Posts

Nothing in this Convention shall affect the fiscal privileges of members of diplomatic missions or consular posts under the general rules of International Law or under the provisions of special agreements.

ARTICLE 28
Entitlement to Benefits

1. Notwithstanding the application of the other Articles of the Convention, with respect to taxation in Israel only the following residents of the United Arab Emirates may invoke Articles 7, 8 and 10 to 14:

a) the Federal and the local governments of the United Arab Emirates;

b) a qualified government entity of the United Arab Emirates.

c) a company provided that such company can prove that at least 75 per cent of its capital is beneficially owned, directly or indirectly by the United Arab Emirates or by a qualified government entity and give substantial evidence that the remaining capital is beneficially owned by individuals being residents of the United Arab Emirates and that the company is controlled by the aforementioned residents.

d) a pension plan.

2. Notwithstanding the provisions of paragraph 1, also the following residents of the United Arab Emirates may invoke Articles 8, 10 11 and 13:

a) an individual;
b) a company provided that such company can give substantial evidence that its capital is beneficially owned exclusively by the United Arab Emirates or by a qualified government entity of the United Arab Emirates or by individuals being residents of the United Arab Emirates and the company is controlled by the aforementioned residents.

3. Notwithstanding the application of the other Articles of the Convention an individual who was a resident of Israel in one or more of the preceding 5 years and became a resident of the United Arab Emirates will not be entitled to the benefits of this Convention.

4. A further prerequisite for relief from Israeli taxes under paragraphs 1 and 2 is that the person has to prove that more than 50 per cent of its gross income is not used, directly or indirectly, to meet liabilities (including liabilities for interest or royalties) to persons not entitled to benefits of this Agreement.

5. a) Where:

(i) an enterprise of a Contracting State derives income from the other Contracting State and the first-mentioned State treats such income as attributable to a permanent establishment of the enterprise situated in a third jurisdiction, and

(ii) the profits attributable to that permanent establishment are exempt from tax in the first-mentioned Contracting State,

the benefits of this Convention shall not apply to any item of income on which the tax in the third jurisdiction is less than 15 per cent of the amount of that item of income. In such a case any income to which the provisions of this paragraph apply shall remain taxable according to the domestic law of the other State, notwithstanding any other provisions of the Convention.

b) The preceding provisions of this paragraph shall not apply if the income derived from the other State emanates from, or is incidental to, the active conduct of a business carried on through the permanent establishment (other than the business of making, managing or simply holding investments for the enterprise's own account, unless these activities are banking, insurance or securities activities carried on by a bank, insurance enterprise or registered securities dealer, respectively).

c) If benefits under this Convention are denied pursuant to the preceding provisions of this paragraph with respect to an item of income derived by a resident of a Contracting State, the competent authority of the other Contracting State may, nevertheless, grant these benefits with respect to that item of income if, in response to a request by such resident, such competent authority determines that granting such benefits is justified in light of the reasons such resident did not satisfy the requirements of this paragraph (such as the existence of losses). The competent authority of the Contracting State to which a request has been made under the preceding sentence shall consult with the competent authority of the other Contracting State before either granting or denying the request.

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

b) Nothing in this Convention shall affect the application of the domestic provisions to prevent fiscal evasion and tax avoidance concerning the limitation of expenses and any deductions arising from transaction between enterprises of a Contracting State and enterprises situated in the other Contracting State, if the main purpose or one of the main purposes of the creation of such enterprises or of the transactions undertaken between them, was to obtain the benefits under this Convention, that would not otherwise be available.

Chapter VI
FINAL PROVISIONS

ARTICLE 29
Entry into Force

Each of the Contracting States shall notify the other in writing, through diplomatic channels, of the completion of the procedures required by its law for the entry into force of this Convention.

This Convention shall enter into force on the date of the later of these notifications and shall thereupon have effect:

a) with respect of taxes withheld at source, on amounts paid on or after the first day of January of the calendar year following the year in which the Convention entered into force;

b) with respect of other taxes, on taxes levied for periods beginning on or after the first day of January of the calendar year following the year in which the Convention entered into force.

ARTICLE 30
Termination

This Convention shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Convention, through diplomatic channels, by giving a written notice of termination at least six months before the end of any calendar year beginning on or after the expiration of a period of five years from the date of its entry into force. In such event, the Convention shall cease to have effect:

a) with respect of taxes withheld at source, on amounts paid on or after the first day of January of the calendar year following the year in which the notice is given;

b) with respect of other taxes, on taxes levied for periods beginning on or after the first day of January of the calendar year following the year in which the notice is given.

PROTOCOL

At the signing of the Convention between the Government of the State of Israel and the Government of the United Arab Emirates for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income, the Government of the State of Israel and the Government of the United Arab Emirates have agreed that the following provisions shall form an integral part of the Convention.

1. In general:

It is understood that the Convention shall not prevent a Contracting State from applying provisions in its domestic law on the prevention of tax evasion or tax avoidance where those provisions are used to challenge arrangements which constitute an abuse of the Convention.

It is understood that nothing in this convention shall be construed as preventing Israel from imposing a tax on amounts included in the income of a resident of Israel with respect to a partnership, trust, or controlled foreign affiliate, in which that resident has an interest.

Nothing in this Convention shall affect the right of either Contracting State, any political subdivision, local government or local authority thereof, to apply its own laws and regulations related to the taxation of income and profits derived from exploration, extraction or exploitation of hydrocarbons situated in that State.

2. With reference to Article 2 (Taxes Covered) of the Convention:

It is understood that the taxes described in clause 3(a)(i) include taxes imposed under the *Petroleum Profits Taxation Law 5771-2011*.

3. With reference to Article 6 (income from immovable property) of the Convention:

It is understood that “distributions by a real estate investment fund”, according to Article 64A3 of the Israeli Income Tax Ordinance, are income from immovable property under the provisions of Article 6 (income from immovable property).

The term “distributions by a real estate investment fund” means in the case of Israel distributions by a real estate investment fund according to Article 64A3 of the Israeli Income Tax Ordinance.

A "Real Estate Investment Fund" means a real estate investment fund according to Article 64A3 of the Israeli Income Tax Ordinance.

4. With reference to Articles 10 (Dividends) and 11 (Interest) of the Convention:

With respect to subparagraphs a) and b) of paragraph 2 of Article 10 and of paragraph 3 of Article 11 of this Convention, it is understood that the government of a Contracting State shall include:

a) In the case of Israel, the Bank of Israel and any other entity the capital of which is wholly directly owned by the Government of the State of Israel, including a political subdivision and local authority thereof, as may be agreed upon from time to time between the Governments of the Contracting States through notifications by the competent authorities, and

b) In case of the United Arab Emirates, a qualified government entity.

5. With reference to Article 10 (Dividends) of the Convention:

It is understood that the term "dividends" does not include “distributions by a real estate investment fund”.

6. With reference to Article 13 (Capital Gains):

a) It is understood that Article 13 does not prevent a Contracting State from taxing a person who was its resident and has become a resident of the other Contracting State in respect of capital gains of property of that person at the day before the change of residency, according to the domestic law of the first mentioned State.
b) It is understood that shares, other rights and comparable interests in a company, partnership or trust, which were owned by the alienator before they were traded in a recognised stock exchange will not be deemed as shares, other rights and comparable interests in a company, partnership or trust, which are traded in a recognised stock exchange under the provisions of paragraph 3 of Article 13.
c) The provisions of paragraph 3 of Article 13 will not apply to shares, other rights and comparable interests which were alienated by a resident of a Contracting State, in a company, partnership or trust, that is a resident of the other Contracting State, that are forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State. In that case, the provisions of paragraph 4 of Article 13 will apply.