جمهورية سيريلانكا الاشتراكية الديمقراطية

Democratic Socialist Republic of Sri Lanka



AGREEMENT BETWEEN

THE UNITED ARAB EMIRATES

AND
THE DEMOCRATIC SOCIALIST REPUBLIC OF SRILANKA

FOR
THE AVOIDANCE OF DOUBLE TAXATION
ANDTHE PREVENTION OF FISCAL EVASION
WITH RESPECT TO TAXES ON INCOME

THE COVERNMENT OF THE UNITED ARAB EMIRATES AND THE GOVERNMENT OF THE DEMOCRATEC SOCILIST REPUBLIC OF SRILANKA

DESIRING TO CONCLUDE AN AGREEMENT FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE PREVENTION OF FISCAL EVASION WITH RESPECT TO TAXES ON INCOME,

HAVE AGREED AS FOLLOWS:

Article 1
PERSONAL SCOPE

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

Article 2
TAXES COVERED

1. This Agreement shall apply to taxes on income imposed on behalf of a Contracting State, irrespective of the manner in which they are levied,

2. There shall be regarded as taxes on in come all taxes imposed on total income or on elements of income, including taxes on gains from the alienation of movable or immovable property.

3. The existing taxes to which the Agreement shall apply are :

   (a) in Sri Lanka :
   the income tax, including the income tax based on the turnover of enterprises licensed by the Board of Investment, (hereinafter referred to as "Sri Lanka tax");

   (b) in United Arab Emirates :

   (i) income tax; and
   (ii) corporation tax '
   (hereinafter referred to as "U.A.E. tax")'

4. The Agreement shall also apply to any identical or substantially similar taxes on income which are imposed after the date of signature of the Agreement in addition to , or in place of , those referred to in paragraph 3. The competent authorities of the Contracting States shall notify each other of any substantial changes which have been made in their respective taxation laws.

Article 3

GENERAL DEFINITIONS

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

(a) (i)The term "Sri Lanka" means the territory of the Democratic Socialist Republic of Sri Lanka, including its land territory, internal waters and territorial sea, air space above them as well as the exclusive economic zone and continental shelf where the Democratic Socialist Republic of Sri Lanka exercises or may hereafter exercise sovereign rights and jurisdiction in conformity with international law and its national legislation.

(ii) The term 'United Arab Emirates" , means the United Arab Emirates and when used in a geographical sense ,means the area in which the territory is under its sovereignty as well as the territorial sea, airspace and submarine areas over which the United Arab Emirates exercises in conformity with international law and the law of United Arab Emirates sovereign rights, including the mainland and islands under its jurisdiction

in respect of any activity carried on in connection with the exploration for or the exploitation of the natural resources;

(b) the terms "a Contracting State" and "the other Contracting State" means Sri Lanka or the United Arab Emirates as the context requires;

(c) the term "person" includes an individual , a company and any other body of persons;

(d) the term "company" means any body corporate or , any entity which is treated as a body corporate for tax purposes;

(e) the terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State and includes –

(i) in the case of Sri Lanka, Sri Lanka Airlines Limited,

(ii) in the case of United Arab Emirates, Emirates Airline and Gulf Air .

The above - mentioned enterprises may be added to or replaced by other enterprise through the exchange of letters or any other similar arrangements between the two Contracting States;

(f) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;

(g) the term "nationals" means :

(i) all individuals possessing the nationality of a Contracting State,

(ii) all legal persons, partnerships and associations deriving status as such from the laws in force in a Contracting State;

(h) the term "competent authority " means

(i) in Sri Lanka :
The commissioner General of Inland Revenue,

(ii) in United Arab Emirates :
the Minister of Finance and Industry or his authorized representative ;

2. In the application of this Agreement by either of the Contracting States , any term not defined therein shall – unless the context otherwise requires – have the meaning which it has under the laws of that State concerning the taxes to which the Agreement applies.

Article 4

RESIDENT

1. For the purposes of this Agreement, the term "resident of a Contracting State" means :
   (a) a Contracting State, a political subdivision , a local authority or a governmental institute thereof;

(b) an individual who under the laws of a Contracting State is considered a resident of that State ; and

(c) a company or any other legal entity which is created under the laws of a Contracting State.

2. For the purpose of paragraph 1 above the term "resident" in the case of the U.A.E shall include;

(a) the Government of the United Arab Emirates or any political subdivision or local authority thereof;

(b) any governmental institutions created under public law such as the Central Bank, funds, corporations, authorities, foundations, agencies or any other similar entities established in the United Arab Emirates ;

(c) any inter – governmental entity established in the United Arab Emirates in whose capital the United Arab Emirates subscribes with other States.

3. Where by reason of the provisions of paragraph 1 of this Article an individual is deemed to be a resident of both Contracting States then his status shall be defined as follows:

(a) he shall be deemed to be a resident of the Contracting State in which he has a permanent home available to him. If he has a permanent home available

to him in both Contracting States, he shall be deemed to be a resident of the Contracting State with which his personal and economic relations are closer (center of vital interests)

(b) if the Contracting State in which he has his center of vital interests cannot be determined, or if he does not have a permanent home available to him in either Contracting State in which he has an habitual abode;

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

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

4. Where by reason of the provisions of paragraph 1, a person other than an individual is a resident of both Contracting States, the competent authorities of the States shall settle the question by mutual agreement.

Article 5

PERMANENT ESTABLISHMENT

1. For the purposes of this Agreement, 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)amine, an oil or gas well, a quarry or any other place of extraction of natural resources;

3. The term "permanent establishment" likewise encompasses;

(a) a building site, construction, assembly or installation project, or an installation or drilling rig or ship used for the exploration or development of natural resources, including supervisory activities in connection therewith, but only if site, project, use lasts or those activities last more than six months;

(b) the furnishing of services, including consultancy services, by an enterprise through employees 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 twelve month period.

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

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

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

(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 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.

ii. Notwithstanding the provisions of paragraphs 1 and 2, where a person –other than an agent of an independent status to whom paragraph 7 applies – is acting in a Contracting State on behalf of an enterprise of the other Contracting State, that enterprises shall be deemed to have permanent establishment in the first – mentioned Contracting State in respect of any activities which that person undertakes for the enterprise, if such a person:

(a) has and habitually exercises in that State an authority to conclude contracts in the name of the enterprise, unless the activities of such person are limited to those mentioned on paragraph 4 which, if exercised through a fixed place of business, would not make this

fixed place of business a permanent establishment under the provisions of that paragraph; or

(b) habitually maintains in the first – mentioned State a stock of goods or merchandise from which he regularly delivers goods or merchandise on behalf of the enterprise; or

(c) habitually secures orders in the first – mentioned State for the enterprise and other enterprise which are controlled by it.

6. Notwithstanding the preceding provisions of this Article, an insurance enterprise of a Contracting State shall, except with regard to re-insurance, be deemed to have a permanent establishment in the other Contracting State if it collects premiums in the territory of that other State or insures risks situated therein through a person other than an agent of an independent status to whom paragraph 7 applies.

7. 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 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. However, when the activities of such an agent are devoted wholly or principally on behalf of that enterprise, he shall not be considered an agent of an independent status within the meaning of this paragraph.

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.

Article 6

INCOME FROM IMMOVABLE PROPERTY

1. Income from immovable property may be taxed in the Contracting State in which such property is situated.

2. The term "immovable property" shall 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 provision of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships, boats and aircraft shall not be regarded as immovable property.

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

4. The provisions of paragraph 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.

5. The provisions of this Article shall however not apply to the immovable property owned by the Government, local government, local authority of a Contracting State.

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;

   (a)that permanent establishment ; or

   (b) sales within that other Contracting State of goods or merchandise of the same or a similar kind as those sold or other business activities of the same or a similar kind as those carried on, through that permanent establishment if the sale or

the business activities had been made or carried on in that way with a view to avoiding taxation in that other State.

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 deductions expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the State in which the permanent establishment is situated or elsewhere. However, no such deduction shall be allowed in respect of amounts, if any, paid (otherwise than towards reimbursement of actual expenses) by the permanent establishment to the head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission, for specific services performed or for management, or, except in the case of a banking enterprise, by way of interest on moneys lent to the permanent establishment. Likewise, no account shall be taken, in the determination ot the profits of a permanent establishment, for amounts charged (otherwise than towards reimbursement of actual expenses), by the permanent establishment to the head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission for specific services performed or for management, or, except in the case of a banking enterprise by way of interest on moneys lent to the head office of the enterprise or any of its other offices.

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 to 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 and apportionment as may be customary: the method of apportionment adopted shall, however, be

such that the result shall be I accordance with the principles contained in this Article.

5.No profits shall be attributed to a permanent establishment by r eason o f t he mere purchase by the permanent establishment of goods or merchandise for the enterprise.

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 b year unless there is goods and sufficient reason to the contrary.

Article 8
SHIPPING

1. Profits derived a Contracting State by an enterprise of the other Contracting State from the operation of ships in international traffic may be taxed in the first-mentioned State, but the tax so charged shall be reduced by an amount equal to 50 per cent thereof

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, but for those conditions, have accrued to tone of the enterprises, but, by reason of those conditions, have not so accrued, may be included in the profits of that enterprise ad taxed accordingly.

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 **[10 per cent]** UAE per cent of the gross amount of the dividends.

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

Notwithstanding the provisions of this Article, dividends arising in a Contracting State and derived by the Government of the other contracting State including a local authority thereof, the Central Bank, or other institution owned by that Government, as agreed between the two Contracting States from time to time shall be excepted from tax in the first mentioned State.

3. The term "dividends" as used in this Article means income from shares or other rights, not being debt-claims, participating in profits, as well as income

from other corporate rights which is subjected to the same taxation treatment s income from shares by the laws of the State of which the company making the distribution is 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 case, the provisions of Article 7 or Article 14, as the case may be, shall apply.

5. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other State may not impose any tax on the dividends paid by the company, except 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, even if the dividend 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, such interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the recipient is the beneficial owner of the interest the tax so charged shall not exceed 10 per cent of the gross amount of the interest.

3. Notwithstanding the provisions of paragraph 2, interest arising in a Contracting State and derived by the Government of the other Contracting State, including a local authority thereof, the Central bank or any financial institution controlled by that Government, shall be exempt from tax in the first mentioned State.

4. For the purposed of paragraph 3, the terms "the Central Bank" and "financial institution controlled by that Government" mean:
   a) In the case of Sri Lanka:
      i. The Central Bank of Sri Lanka;
      ii. Such other financial institution, the capital of which is wholly owned by the Governments of Sri Lanka, as may be agreed upon from time to time between the Governments of the Contracting States.
   b) In the case of United Arab Emirates:
      i. The Central Bank of United Arab Emirates:
      ii. Such other financial institution, the capital of which is wholly owned by the Government of the United Arab Emirates, or its local authority or local government as may be agreed upon from time to time between the Governments of the Contracting States.

5. The term "interest" as used in this Article means income from debt-claims of every kind, whether or not secured by a 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.

6. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State I which the interest arises, through a permanent establishment situated therein, (or performs in that other State independent personal services from a fixed base situated therein,) and the debt-claim in respect of which the interest is paid is effectively connected with (a) such permanent establishment or fixed base, or with (b) business activities referred to under (c) of paragraph 1 of Article 7. in such case, the provisions of Article 7 or Article 14, as the case may be shall apply.

7. Interest shall be deemed to arise in a Contracting State when the payer is that State itself, a local authority, or a resident of that State. Where, however, the person paying the interest, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the indebtedness on which the interest is paid was incurred, and such interest is borne by such permanent establishment or fixed base, then such interest shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

8. 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 payment shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of the Agreement.

Article 12
ROYALTIES

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

2. However, such royalties may also be taxed in the Contracting State in which they arise and according to the laws of that State, but if the recipient is the beneficial owner of the royalties, the tax so charged shall not exceed 10 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, or films or tapes for radio or television broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for the use of , or the right to use, industrial, commercial or scientific equipment, or for information concerning industrial, commercial or scief=tific 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 n business in the other Contracting State in which the royalties arise, through a permanent establishment situated therein, or performs I 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 (a) such permanent establishment or fixed base, or with (b)

business activities referred to under (c) of paragraph 1 of Article 7. in such case, the provisions of Article 7 or Article 14, as the case may be, shall apply.

5. Royalties shall be deemed to arise in a Contracting State when the payer is that State itself, a 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.

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 other provisions of the Agreement.

Article 13
CAPITAL GAINS

1. Gains derived by a resident of a Contracting State from the alienation of immovable property, as defined in Article 6, and situated in the other /contracting State may be taxed in the other Contracting State

2. Gains derived by a resident of a Contracting State from the alienation of;

a. Shares, deriving their value or the greater part of their value directly or indirectly from immovable property situated in the other Contracting State, or

b. A contribution in a partnership the assets of which consist principally of immovable property situated in the other Contracting State, or of shares referred to in sub-paragraph (a) above shall be taxable only in that Contracting State.

3. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or a 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 together with the whole enterprise) or of such a fixed base may be taxed in that other State.

4. gains from the alienation of ships operated by an enterprise of a Contracting State in international traffic and movable property pertaining to the operation of such ships shall be only in that Contracting State.

5. Gains from the alienation of stocks an shares of a company representing a participation of 25 per cent or more may be taxed in the Contracting State in which they have been issued.

6. Gains from the alienation of any property other than that referred to in the preceding paragraphs shall be taxable only in the Contracting State of which the alienator is a resident.

Article 14
INDEPENDENT PERSONAL SERVICES

Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that State unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities or he is present in that other State for a period or periods exceeding in the aggregate 183 days in any twelve month period. If he has such a fixed base or is present I that other State for the aforesaid period or periods, the income may be taxed in that other State but only so much of it as is attributable to that fixed base or is derived in that other State but only so much of it as is attributable to that fixed base or is derived in that other State during the aforesaid period or periods.

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 16,18 and 19. salaries, wages and other similar remuneration derived by a resident of a Contracting State in respect of an employment shall be taxable only in that State unless the employment is exercised, 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 and employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:

a. The recipient is present in that other State for a period or periods not exceeding in the aggregate 183 days within any twelve month period; and

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

c. The remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other State.

3. Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated international traffic by an enterprise of a Contracting State shall be taxable only in that State.

Article 16
DIRECTORS'FEES

1. 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 or any other similar organ 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.

3. Notwithstanding the provisions of paragraphs 1 and 2, income derived from activities referred to in paragraph 1 performed under a cultural agreement or arrangement between the Contracting States shall be exempt from tax in the Contracting State in which the activities are exercised if the visit to that State is wholly or substantially supported by funds of either Contracting State, its local authority or local governments thereof.

Article (18)
Pensions and Social Security Payments

1. Subject to the provisions of paragraph 2 of Article 19, any pension or other similar remuneration paid to a resident of one of the Contracting States from a source in the other Contracting State in consideration of past employment or services in that other Contracting State and any annuity paid to such a resident from such a source may be taxed in that other State.
2. The term " annuity " means a stated sum payable periodically at stated times during life or during a specified or ascertainable period of time under an obligation to make the payments in return for adequate and full consideration in money or money's worth.
3. Notwithstanding the provisions of paragraph 1, pensions paid and other payments made under a public scheme which is part of the social security

systems of a Contracting State, its local authority or local governments shall be taxable only in that State.

Article (19)

Government Service

1. (a) Remuneration , other than a pension, paid by the Government of a Contracting State, its local authority or local governments, to an individual in respect of services rendered to that State or its local authority or local government shall be taxable only in that State.

   (b) However, such remuneration shall be taxable only in the other Contracting State, its local authority or local governments, if the services are rendered in that other 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 such services.

2. Any pension paid by, or out of funds created by, a Contracting State, its local authority or local government thereof to an individual in respect of services rendered to that State, its local authority or local government shall be taxable only in that State.
3. The provisions of Articles 15, 16 and 18 shall apply to remuneration and pensions in respect of services rendered in connection with a business carried on by a Contracting State, its local authority or local governments thereof.
4. For the purpose of this Article , the term " Government " shall include any State Government or local authority of either Contracting State, and the Central Bank of either Contracting State.

Article (20)
Teachers and Researchers

1. A professor, teacher or researcher who makes a temporary visit to a Contracting State for the purpose of teaching or conducting research at a university, college, school or other recognized educational institution and who is, or immediately before such visit was, a resident of the other Contracting State shall be exempted from tax in the first-mentioned State for a period not exceeding four years in respect of remuneration for such teaching or research.
2. This Article shall not apply to remuneration which a professor or teacher receives for conducting research if the research is undertaken primarily for the private benefit of a specific person or persons.

Article (21)
Students and Trainees

1. Payments which a student, apprentice, or business trainee 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 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. An individual who is a resident of one of the Contracting States at the time hi becomes temporarily present in the other Contracting State and who is temporarily present in the other State as an employee of, or under contract with, a resident of the first-mentioned State, or as a participant in a programme sponsored by the Government of the other State or by any international organization for the primary purpose of

(a) acquiring technical, professional, or business experience from a person other than that resident of the first-mentioned State or other than a person related to such resident ;or

(b) studying at a university or other recognized educational institution in that other State

shall be exempt from tax by that other State.

3. An individual who was a resident of a Contracting State immediately before visiting the other Contracting State and is temporarily present in that other State solely for the purposes of study, research or training as a recipient of a grant, allowance or award from a scientific educational, religious or charitable organization or under a technical assistance programme entered into by the Government of a Contracting State shall, from the date of his first arrival in that other State in connection with that visit, be exempt from tax in that other State:

(a) on the amount of such grant, allowance or award, and

(b) on all remittance form abroad for the purposes of his maintenance, education or training.

Article (22)

Other Income

Items of income of a resident of a Contracting State wherever arising which are not expressly dealt with the foregoing Article of this Agreement shall be settled mutually by the Contracting States.

Article (23)
Income of Government and Institutions

1. The Government of one of the Contracting States shall be exempt from tax in the other Contracting State in respect of any income derived by such Government from that other Contracting State.
2. For the purposes of paragraph 1 of this Article, the term " Government "
   (a) in the case of Sri Lanka, means the Government of Sri Lanka, and shall include:
      (i) Central Bank of Sri Lanka;
      (ii) any such institution or body as may be agreed from time to time between the two Contracting States;
   (b) in the case of UAE, means the Government of the United Arab Emirates, and shall include:
      (i) the political sub-division, the local authorities, the local administrations, and the local governments;
      (ii) the Central Bank of the United Arab Emirates;
      (iii) any such institution or body as may be agreed from time to time between the two Contracting States.

Article (24)
REFUNDS

Claims for refund, that shall be produced 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 Agreement.

Article (25)
Elimination of Double Taxation

1. The laws in force in either of the Contracting States shall continue to govern the taxation of income in the respective Contracting States. When income is subject to tax in both Contracting States, relief from double taxation shall be given in accordance with the following paragraphs of this Article.

2. Where a resident of United Arab Emirates derives income from Sri Lanka which in accordance with the provisions of this Agreement, may be taxed in Sri Lanka the amount of Sri Lanka tax payable in respect of that income, shall be allowed as a credit against the tax imposed on that resident in respect of that income. The credit shall not, however, exceed that part of the United Arab Emirates tax which is attributable to such income.

3. Where a resident of Sri Lanka derives income from the United Arab Emirates which in accordance with the provisions of this Agreement may be taxed, the amount of the United Arab Emirates tax payable in respect of that income shall be allowed as a credit against the Sri Lanka tax imposed on that resident in respect of that income. The credit shall not, however, exceed that part of the Sri Lanka tax which is attributable to such income.

4. For the purpose of allowance as a credit in a Contracting State, the tax paid in the other Contracting Shall be deemed to include the tax which is otherwise payable in that other State but has been reduced or waived by that State under its legal provisions for tax incentives.

Article (26)
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 are or may be subjected.

2. The taxation of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State shall not be less favorably levied in that other State than the taxation levied on enterprises of that other State carrying on the same activities. This provision shall not be construed as 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.
3. Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.

4. In this Article, the term " taxation" means taxes which are the subject of this Agreement.

Article (27)
Mutual Agreement Procedure

1. Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in

accordance with the provisions of this Agreement, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or. If his case comes under paragraph 1 of Article 24, 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 Agreement.

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 this Agreement.
3. The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Agreement. They may also consult together for the elimination of double taxation in cases not provided for in the Agreement.
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. The competent authorities, through consultations, shall develop appropriate bilateral procedures, conditions methods and techniques for the implementation of the mutual agreement procedure provided for in this Article .

Article (28)

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 Agreement or of the domestic laws of the Contracting States concerning taxes covered by the

Agreement, insofar as the taxation thereunder is not contrary to the Agreement, as well as to prevent fiscal evasion in relation to such taxes. The exchange of information is not restricted by Article . any information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities (including courts and administrative bodies) involved in the assessment or collection of, the enforcement or prosecution in respect o, or the determination of appeals in relation to, the taxes which are the subject of the Agreement. Such persons or authorities shall use the information only for such purposes but may disclose the information in public court proceedings, or in judicial decisions.

2. in no case shall the provisions of paragraph 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 (ordere public)

Article (29)
Diplomatic Agents and Consular Officers

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

Article (30)
Air Transport

The agreement between the Democratic Socialist Republic of Srilanka and the Government of the United Arab Emirates for the Avoidance of Double Taxation on income derived from International Air transport signed on the 7th July, 1992 shall continue to be in force .

Article (31)
Entry into Force

1. Each of the Contracting States shall notify the other of the completion of the procedures required by its law for the entering into force of this Agreement. The Agreement shall enter into force on the date of commencement of the year of assessment in which the date of receipt of the latter of these notifications occur . The provisions of the Agreement shall apply:
2. The provisions of the Agreement shall apply:
    (a) in respect of income derived on or after the date upon which the Agreement enters into force; and
    (b) with regard to taxes withheld at source, in respect of amounts paid or credited on or after the date upon which the Agreement enters into force.

Article (32)
Termination

This Agreement shall remain in force until terminated by a Contracting State. Either Contracting State may terminate the Agreement, through diplomatic channels, by giving written notice of termination on or before the thirtieth day of

June of any calendar year following after the period of five years from the year in which the Agreement enters into force. In such case, the Agreement shall cease to have effect;

(a) in respect of income derived on or after the date of commencement of the year of assessment next following that in which the notice of termination is given : and

(b) with regard to taxes withheld at source, in respect of amounts paid or credited on or after the date of commencement of the year of assessment next following that in which the notice of termination is given.

In witness whereof the undersigned duly authorized thereto here signed this Agreement.

Done in duplicate in Dubai in the day of September 2003, in the Sinhala, Arabic and English Languages, all texts being equally authentic. In the case of divergence of interpretation the English text shall prevail.



THE PROTOCOL

TO THE AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED ARAB EMIRATES

And

THE GOVERNMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI LANKA FOR THE AVOIDANCE OF DOUBLE TAXATION WITH RESPECT TO TAXES ON INCOME AND PREVENTION OF FISCAL EVASION

At the signing of the Agreement concluded today between the Government of the United Arab Emirates and the Government of the Democratic Socialist Republic of Sri Lanka for the avoidance of double taxation with respect to taxes on income and the prevention of fiscal evasion, the undersigned have agreed upon the following additional provisions which shall form an integral part of the said Agreement.

It is understood:

1. in relation to paragraph 3 (a) of Article2, that the reference to " the income tax based on the turnover of enterprises licensed by the Board of Investment" is made to provide for the inclusion of income tax payable by and enterprise which has entered into an Agreement with the Board of Investment under Section 17 of the Board of Investment Law No. 4 of 1978, and has exercised and option in terms of such Agreement to have its income tax liability computed on a presumptive basis reckoned as a

percentage of its turnover, for a specified period at the end of a tax-holiday granted to it under the Agreement,

2.1 in the case of Sri Lanka, that the reference to taxation of dividends according to " the Laws of that State" in paragraph (2) of Article 10 includes the provision in the Inland Revenue Act No. 38 of 2000 conferring exemption to shareholders of a company which has entered into an Agreement with the Board of Investment under Section 17 of the Board of Investment Law No. 4 of 1978, on dividends paid within the period of a tax holiday granted to it under the agreement and one year thereafter. Dividends paid thereafter will be taxable in accordance with the relevant provisions of this Agreement

2.2 in the case of Sri Lanka, that paragraph (5) of Article 13 has no application to gains from the alienation of shares in a company which has entered into an Agreement with the Board of Investment under Section 17 of Board of Investment Law No.4 of 1978 and which are exempt from income tax under the provisions of the Inland Revenue Act No. 38 of 2000,

2.3 it was further clarified that the Sri Lankan Airlines being a company which has entered into an agreement under section 17 of the Board of Investment Law, No. 4 of 1978-

(i) the capital gains arising on the alienation of its shares is exempt from income tax under section 14 (1) (a) (ix); and

(ii) dividends paid by that company are exempt from income tax up to 2014 under section 11(b) of the Inland Revenue Act, No. 38 of 2000.

Without prejudice to any other agreement after 2014, the dividends paid by the company will taxable in accordance with the relevant provisions of this Agreement if it is more favourable.

3- that the Agreement between the Government of the Democratic Socialist Republic of Sri Lanka and the Government of the United Arab Emirates for the Avoidance of Double Taxation of Income derived from International Air Transport (signed on July 07.1992) shall continues to be in force .

In witness whereof the undersigned duly authorized thereto here signed this Agreement.

Done in duplicate in Dubai in the 24th day of September 2003, in the Sinhala, Arabic and English Languages, all texts being equally authentic. In the case of divergence of interpretation the English text shall prevail.

[redacted]