No. 50790*

United States of America
and
Bahrain

Exchange of notes constituting an agreement between the United States of America and Bahrain to exempt from income tax, on a reciprocal basis, certain income derived from the international operation of a ship or ships and aircraft. Manama, 1 September 1999 and 12 September 1999

Entry into force: *12 September 1999 by the exchange of the said notes, in accordance with their provisions*

Authentic text: *English*

Registration with the Secretariat of the United Nations: *United States of America, 22 May 2013*

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États-Unis d'Amérique
et
Bahreïn

Échange de notes constituant un accord entre les États-Unis d'Amérique et Bahreïn visant à exonérer de l'impôt sur le revenu, sur une base de réciprocité, certains bénéfices provenant de l'exploitation internationale d'un ou de plusieurs navires et aéronefs. Manama, 1 septembre 1999 et 12 septembre 1999

Entrée en vigueur : *12 septembre 1999 par l'échange desdites notes, conformément à leurs dispositions*

Texte authentique : *anglais*

Enregistrement auprès du Secrétariat des Nations Unies : *États-Unis d'Amérique, 22 mai 2013*

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[ENGLISH TEXT – TEXTE ANGLAIS]

EMBASSY OF THE
UNITED STATES OF AMERICA

No. 201

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs of the State of Bahrain and has the honor to propose that the two Governments conclude an agreement to exempt from income tax, on a reciprocal basis, certain income derived from the international operation of a ship or ships and aircraft as follows:

The Government of the United States of America, in accordance with sections 872(b) and 883(a) of the U.S. internal revenue code of 1986, agrees to exempt from U.S. federal income tax gross income derived from the international operation of a ship or ships or aircraft by individuals who are residents of Bahrain (other than U.S. citizens or residents) and corporations that are organized in Bahrain, in each case, that are engaged in the international operation of a ship or ships or aircraft. This exemption shall be granted on the basis of equivalent exemptions granted by Bahrain to individual residents of the United States and to corporations organized in the United States.

In the case of a Bahrain corporation, the exemption shall apply only if the corporation meets the ownership or public trading requirements of U.S. Law. For purposes of such ownership requirements, the Government of Bahrain shall be treated as an individual resident of Bahrain.

Gross income derived from the international operation of a ship or ships or aircraft includes:

--(i) income from the rental on a full (time or voyage) basis of a ship or ships or aircraft used in international transport;

--(ii) income from the rental on a bareboat basis of a ship or ships or aircraft used in international transport;

--(iii) income from the rental of containers and related equipment used in international transport that is incidental to income from the international operation of a ship or ships or aircraft;

--(iv) gains from the sale or other alienation of a ship or ships or aircraft used in international transport; and

--(v) income derived by an individual or corporation otherwise engaged in the international operation of a ship or ships or aircraft from active participation in a pool, an alliance, joint venture, international operating agency, or other venture, that is itself engaged in the international operation of a ship or ships or aircraft

The Embassy, on behalf of the Government of the United States of America, proposes that if the foregoing is acceptable to the Government of Bahrain, this note and the Ministry's reply note shall constitute an agreement between the two Governments, which shall enter into force on the date of the Ministry's reply note and shall have effect with respect to taxable years beginning on or after January 1, 1999. It shall remain in force until terminated by either Government giving written notice to the other Government through diplomatic channels.