

STATES OF JERSEY



AGREEMENT BETWEEN THE GOVERNMENT OF JERSEY AND THE GOVERNMENT OF THE KINGDOM OF BAHRAIN: ELIMINATION OF DOUBLE TAXATION (TAXES ON INCOME) AND PREVENTION OF TAX EVASION/ AVOIDANCE

Lodged au Greffe on 27th January 2026
by the Minister for External Relations
Earliest date for debate: 10th March 2026

STATES GREFFE

PROPOSITION

THE STATES are asked to decide whether they are of opinion –

to approve the text of the Agreement between the Government of Jersey and the Government of the Kingdom of Bahrain for the Elimination of Double Taxation with Respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance, as set out in Appendix 1 to the accompanying Report.

MINISTER FOR EXTERNAL RELATIONS

REPORT

Executive Summary

On 15 September 2025, the Minister for External Relations signed the Jersey-Bahrain DTA in a formal treaty signing ceremony hosted in Manama by Bahrain's Minister of Finance and National Economy. A signed copy of the Agreement is attached as Appendix 1 to this report.

The negotiation and conclusion of bilateral agreements is identified as a priority activity in the Common Policy for External Relations, as approved by the Council of Ministers. The DTA conforms with Jersey's longstanding policy of alignment with international minimum standards set by the Organisation of Economic Cooperation and Development (OECD).

The Agreement will come into force subject to the completion of the respective domestic approval processes in both Jersey and Bahrain. The provisions of the Agreement will have effect from the first day of January following the year in which the Agreement enters into force. The earliest possible effective date is therefore 1 January 2027.

Background

In December 2023, the Government of Jersey and the Government of the Kingdom of Bahrain (the "Parties") signed a Memorandum of Understanding on Cooperation in Financial, Digital and Cultural Sectors. The Memorandum included a commitment to negotiate a new DTA "with a view to signing the Agreement in the near future".

Officials from Jersey and Bahrain undertook DTA negotiations in Manama in May 2024 which were successful and resulted in the initialling of a draft Agreement. At the time of the negotiation, both Jersey and Bahrain were in the process of amending their tax regimes in response to the OECD's two-pillar initiative on the digitalisation of the global economy. This required both sides to subsequently agree an exchange of letters alongside the DTA confirming that the DTA applies to Jersey's new Multinational Corporate Income Tax ("MCIT"), which was approved by the States Assembly after the agreement of the text, but before the date of signature of the Agreement. Further details are set out below and the side letters are attached as Appendix 2 to this report.

The DTA secures nil rates of withholding taxes for dividends, interest, and royalties. It will provide certainty for individuals and businesses with interests between the two jurisdictions, facilitate inward and outward investment and will safeguard Jersey's future tax position. Bahrain's position as a medium sized but growing financial centre in the Middle East, with established commercial ties to Jersey that are supported by the activities of Jersey Finance and its member firms, increases the attractiveness of the Agreement.

Aligning with the strategy outlined in the Common Policy for External Relations, which states that Jersey will negotiate and conclude international agreements for the economic benefit of the Island, it is anticipated that the DTA will also be complemented in due course by the conclusion of a Jersey-Bahrain Bilateral Investment Treaty to promote and protect further investment between Jersey and Bahrain.

Key provisions of the Jersey-Bahrain DTA

The articles in the DTA are generally consistent with the Organisation for Economic Co-operation and Development (“OECD”) Model Convention on Income and on Capital, which is the model on which Jersey bases its double tax agreements. In particular, the provisions dealing with fundamental concepts such as the persons and taxes covered by the Agreement, the elimination of double taxation, mutual agreement procedures, non-discrimination and information exchange follow the OECD Model closely.

The DTA achieves greater certainty for taxpayers, with a tie-breaker clause for dual resident companies based on the place of effective management, and residence state taxation only for dividends, interest, royalties and pension payments. It is in line with the minimum standards set by the OECD’s Base Erosion and Profit Shifting (BEPS) initiative to prevent the misuse of double tax agreements and to ensure consistency in access by taxpayers to a mutual agreement process.

Article-by-article explanation

Article 1, “Persons Covered”, sets out who can benefit from the DTA. It states that the DTA applies to residents of Jersey, residents of Bahrain and dual residents of both Bahrain and Jersey.

Article 2, “Taxes Covered”, lists the taxes which are covered by the DTA. The DTA applies to income tax in Jersey and corporate income tax in Bahrain, including new or similar taxes imposed after the signing of the Agreement. The MCIT has been confirmed to be a covered tax under the DTA in the Side Letters exchanged at the time of signature of the Agreement.

Article 3, “General Definitions”, defines key terms used in the DTA.

Article 4, “Resident”, defines who is considered to be a resident of Jersey and Bahrain for the purposes of the DTA. In the case of a taxpayer who is considered to be dual resident in both jurisdictions, the article includes provisions setting out the process to identify in which jurisdiction the taxpayer is to be considered to be resident for the purposes of the provisions of the DTA.

Article 5, “Permanent Establishment”, defines what is considered to form a taxable permanent establishment (branch) of an overseas business. The definition includes facilities used for the purposes of extraction, exploration and refinement of oil and gas.

Article 6, “Income from Immovable Property”, covers income derived from real estate and provides that income from such property may be taxed in both the jurisdiction in which the property is located and the jurisdiction of residence of the owner.

Article 7, “Business Profits”, provides that if a business established in either Jersey or Bahrain earns business income from the other jurisdiction, its profits are only taxable in the jurisdiction in which the enterprise is resident, unless the income is derived from a permanent establishment in the other jurisdiction, in which case the article sets out the way in which the taxable profits of the permanent establishment are calculated.

Article 8, “Shipping and Air Transport”, provides that profits from international transport are taxable in the place of effective management of the enterprise carrying on the shipping or air transport activity.

Article 9, “Associated Enterprises”, is an anti-avoidance provision, which allows either jurisdiction to make an adjustment to the taxable profits of a business where transactions

between members of the same group of businesses have not been conducted on the same basis as they would have been if made between independent businesses.

Articles 10, 11 and 12, “Dividends”, “Income from Debt Claims” and “Royalties” cover the taxation of dividends, interest and royalties paid by a resident of one jurisdiction to a resident of the other. In each case, no withholding taxes will be paid by the jurisdiction from which the income is paid and the income will only be taxed in the jurisdiction in which the recipient is resident.

Article 11 is usually entitled “Interest” in Jersey’s DTAs. In the case of the Jersey-Bahrain DTA, the article has been renamed to “Income from Debt Claims” to ensure that the provision covers Islamic finance instruments, and this has been reflected in the language of the article. Penalty charges for late payment shall not be regarded as interest for the purposes of the article.

Article 13, “Capital Gains”, sets out rules which determine where gains from the disposal of certain types of asset can be taxed.

Article 14, “Income from Employment”, provides for the taxation of salaries and wages from employment.

Article 15, “Directors’ Fees”, provides that fees for the provision of the services can be taxed in both the jurisdiction in which the director is resident and the jurisdiction in which the company paying the fees is located.

Article 16, “Artistes and Sportsmen”, provides that the jurisdiction in which an artiste or sportsperson performs their activities may tax earnings from that activity, except in the case of publicly-funded performances, which will be taxed only in the jurisdiction of residence of the artiste or sportsperson.

Article 17, “Pensions” provides that, generally, pensions are only taxable in the jurisdiction in which the recipient resides.

Article 18, “Government Service”, covers the tax treatment of government salaries and pensions and provides that salaries paid by the government of one jurisdiction to a resident of the other jurisdiction are normally taxed in the first jurisdiction, while pensions paid in respect of past government service are only taxed in the jurisdiction in which the recipient is resident.

Article 19, “Students”, exempts payments made to a person studying in one jurisdiction from tax in that jurisdiction if the payment is made for the purposes of the student’s education, training or maintenance.

Article 20, “Other Income”, states that any types of income that are not specifically mentioned in the Agreement are generally taxable only in the country where the person receiving the income is resident.

Article 21, “Elimination of Double Taxation” sets out the mechanism by which relief will be given under the Agreement to avoid double taxation.

Article 22, “Non-Discrimination”, is an anti-discrimination article, intended to ensure that nationals of each of the parties are not discriminated against by the tax system or the administration of the tax system of the other jurisdiction. In the case of Jersey, “national” is defined to mean a resident of Jersey.

Article 23, “Mutual Agreement Procedure”, outlines the mechanism by which a taxpayer which believes they have not been treated in accordance with the provisions of the Agreement may present their case to the authorities of either jurisdiction and ask them to address it. It also sets out the mechanism whereby the competent authorities of

each jurisdiction may agree questions about the interpretation or application of the Agreement, as needed.

Article 24, “Exchange of Information”, provides for information sharing between Jersey and Bahrain’s tax authorities for tax purposes.

Article 25, “Members of Diplomatic Missions and Consular Posts”, preserves fundamental international law rules regarding the treatment of diplomatic and consular positions.

Article 26, “Entitlement to Benefits”, is an anti-abuse provision intended to prevent the misuse of double tax agreements.

Article 27, “Entry into Force”, states that the Agreement shall have effect from the first day of January following the year in which the Agreement enters into force, and that the Agreement shall enter into force on the later of the dates on which each jurisdiction notifies the other of the completion of their domestic procedures necessary to give effect to the Agreement.

Article 28, “Termination”, outlines procedures for ending the agreement which include *inter alia* giving written notice of termination to the competent authority of the other jurisdiction.

The side letters

In Article 2 of the DTA, the Jersey tax to which the DTA applies is defined as “income tax”. After the finalisation of the DTA text, the States Assembly approved legislation implementing the MCIT, as a result of which in-scope companies are no longer subject to income tax under the Income Tax (Jersey) Law, but instead, are subject to tax under the MCIT. As the MCIT was introduced after the conclusion of the text, but before the date of signature of the Agreement, there was a risk of unintentional double taxation.

To resolve this timing issue, a formal exchange of letters (appended to this paper) was made at the same time as the signing of the DTA, to confirm that Jersey’s MCIT is a tax to which the DTA applies.

Entry into force

As stated in Article 27 of the Agreement, the DTA will enter into force upon confirmation by both Parties that the respective procedures for domestic approval of the Agreement have been concluded.

Subject to the approval of the text of the Agreement by the States Assembly, the Minister for External Relations will seek to inform Bahrain of the completion of Jersey’s domestic procedures. Jersey is yet to receive notification that Bahrain has completed its own domestic procedures.

Once both jurisdictions have notified the other of the completion of the procedures required by law for the bringing into force of the Agreement in their respective jurisdictions, the Agreement will enter into force. It will have effect from 1 January of the year following the date of entry into force.

The States, on 15 June 2010, adopted the Taxation (Double Taxation) (Jersey) Regulations 2010. The Schedule to these Regulations lists the countries with which Double Tax Agreements have been entered into with Jersey. The necessary Order to provide for the inclusion in the Schedule of the Agreement with the Kingdom of Bahrain will be made subsequent to the approval of the text of the Agreement by the States Assembly.

Recommendation

The Minister requests that the States Assembly approve the text of the Agreement so that the Minister can notify Bahrain of the completion of Jersey's domestic procedures.

Financial and staffing implications

There would be no additional financial or staffing implications if the States Assembly approves this Proposition.

Children's Rights Impact Assessment

I consider that this proposition has no direct or indirect impact on children and that the duty to have due regard to the UN Convention on the Rights of the Child does not arise. Accordingly, a Children's Rights Impact Assessment is not required under the Children (Convention Rights) (Jersey) Law 2022 .

Appendix 1 – Agreement between the Government of Jersey and the Government of the Kingdom of Bahrain for the Elimination of Double Taxation with Respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance

**AGREEMENT BETWEEN
THE GOVERNMENT OF JERSEY AND THE GOVERNMENT OF
THE KINGDOM OF BAHRAIN
FOR THE ELIMINATION OF DOUBLE TAXATION
WITH RESPECT TO TAXES ON INCOME AND THE
PREVENTION OF TAX EVASION AND AVOIDANCE**

The Government of Jersey and the Government of the Kingdom of Bahrain,

Intending to conclude an Agreement for the elimination of double taxation with respect to 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 Agreement for the indirect benefit of residents of third jurisdictions),

Desiring to further develop their economic relationship and to enhance their co-operation in tax matters,

Have agreed as follows:

**CHAPTER I
SCOPE OF THE AGREEMENT**

**Article 1
PERSONS COVERED**

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

**Article 2
TAXES COVERED**

1. This Agreement shall apply to taxes on income imposed on behalf of a Contracting Party 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.
3. The existing taxes to which this Agreement shall apply are in particular:

(a) in Bahrain, corporate income tax (hereinafter referred to as "Bahrain tax"); and

(b) in Jersey, income tax (hereinafter referred to as "Jersey tax").

4. The Agreement shall apply also to any identical or substantially similar taxes that are imposed after the date of signature of the Agreement in addition to, or in place of, the existing taxes. The competent authorities of the Contracting Parties 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 Agreement, unless the context otherwise requires:
- (a) (i) the term "Kingdom of Bahrain" and "Bahrain" means the territory of the Kingdom of Bahrain as well as the maritime areas, seabed and subsoil including over which Bahrain exercises, in accordance with international law, sovereign rights and jurisdiction; and
 - (ii) the term "Jersey" means the Bailiwick of Jersey, and includes the territorial sea adjacent to the islands of Jersey, to which the laws of Jersey extend;
 - (b) the terms "a Contracting Party" and "the other Contracting Party" mean Bahrain or Jersey, as the context requires;
 - (c) the term "tax" means any tax covered by Article 2 of this Agreement;
 - (d) the term "person" includes an individual, a company and any other body of persons;
 - (e) the term "company" means any body corporate or any entity which is treated as a body corporate for tax purposes or any other entity constituted or recognised under the laws of one or other of the Contracting Parties as a body corporate;

- (f) the term "enterprise" applies to the carrying on of any business;
- (g) the terms "enterprise of a Contracting Party" and "enterprise of the other Contracting Party" mean respectively an enterprise carried on by a resident of a Contracting Party and an enterprise carried on by a resident of the other Contracting Party;
- (h) the term "international traffic" means any transport by a ship or aircraft operated by an enterprise that has its place of effective management in a Contracting Party, except when the ship or aircraft is operated solely between places in the other Contracting Party;
- (i) the term "competent authority" means:
 - (i) in the case of Bahrain, the Minister of Finance and National Economy or his authorised representative; and
 - (ii) in the case of Jersey, the Minister for Treasury and Resources or his or her authorised representative;
- (j) the term "national", in relation to a Contracting Party, means:
 - (i) in the case of Bahrain, any individual possessing the nationality thereof and any legal person, partnership or association deriving its status as such from the laws in force in Bahrain; and
 - (ii) in the case of Jersey, any individual resident in Jersey or any legal person, partnership or association deriving its status as such from the laws in force in Jersey;
- (k) the term "business" includes the performance of professional services and of other activities of an independent character; and
- (l) the term "recognised pension fund" means an entity, arrangement or scheme established in one of the Contracting Parties that is treated as a separate person under the taxation laws of either Contracting Party and:
 - (i) that 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 or recognised as such by that Contracting Party; or

- (ii) that is established and operated exclusively or almost exclusively to invest funds for the benefit of entities or arrangements referred to in subparagraph (i) above.

- 2. As regards the application of the Agreement at any time by a Contracting Party, 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 Contracting Party for the purposes of the taxes to which the Agreement applies, any meaning under the applicable tax laws of that Contracting Party prevailing over a meaning given to the term under other laws of that Contracting Party.

Article 4 RESIDENT

- 1. For the purposes of this Agreement, the term "resident of a Contracting Party" means:

- (a) in the case of Bahrain:

- (i) a natural person, who is present in Bahrain for a period or periods totalling in the aggregate at least 183 days in any 12-month period; or

- (ii) a company or other legal person which is incorporated or has its place of effective management in Bahrain; and

- (b) in the case of Jersey any person who, under the laws of Jersey, is liable to tax therein by reason of his domicile, residence, place of management or any other criterion of a similar nature.

The term "resident of a Contracting Party" also includes the Government of that Contracting Party as well as recognised pension funds. This term, however, does not include any person who is liable to tax in a Contracting Party in respect only of income from sources in the other Contracting Party.

- 2. Where by reason of the provisions of paragraph 1, an individual is a resident of both Contracting Parties, then his status shall be determined as follows:

- (a) he shall be deemed to be a resident only of the Contracting Party in which he has a permanent home available to him; if he has a permanent home available to him in both Contracting Parties, he shall be deemed to be a resident only of the Contracting Party with which his personal and economic relations are closer (centre of vital interests);
 - (b) if the Contracting Party in which he has his centre of vital interests cannot be determined, or if he has not a permanent home available to him in either Contracting Party, he shall be deemed to be a resident only of the Contracting Party in which he has an habitual abode;
 - (c) if he has an habitual abode in both Contracting Parties or in neither of them, he shall be deemed to be a resident only of the Contracting Party of which he is a national;
 - (d) if he is a national of both Contracting Parties or of neither of them, the competent authorities of the Contracting Parties 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 Parties, then it shall be deemed to be a resident only of the Contracting Party in which its place of effective management is situated.

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;

- (f) a mine, an oil or gas well, a quarry or any other place of extraction of natural resources; and
 - (g) a refinery.
- 3. A building site or construction or installation project constitutes a permanent establishment only if it lasts more than six months.
- 4. Notwithstanding the provisions of this Article, an enterprise shall be deemed to have a permanent establishment in a Contracting Party and to carry on business through that permanent establishment if in that Contracting Party it carries on:
 - (a) any activity which is directly connected with the exploration for or production of crude oil or other natural hydrocarbons from the ground in that Contracting Party for its own account, or in refining crude oil owned by it or by others, wheresoever extracted, in its facilities in that Contracting Party; or
 - (b) any sales of crude oil or other natural hydrocarbons extracted from the ground in that Contracting Party, or of finished or semi-finished products manufactured in that Contracting Party from crude oil or other natural hydrocarbons; or
 - (c) any activity that results in amounts of income receivable by reason of an interest in crude oil or other natural hydrocarbons extracted from the ground in that Contracting Party or the proceeds thereof.
- 5. 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 of a preparatory or auxiliary character;
 - (f) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs (a) to (e) provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.
6. 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 on behalf of an enterprise and has, and habitually exercises, in a Contracting Party an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that Contracting Party 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 5 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.
7. An enterprise of a Contracting Party shall not be deemed to have a permanent establishment in the other Contracting Party merely because it carries on business in that Contracting Party through a broker, general commission agent or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business.
8. The fact that a company which is a resident of a Contracting Party controls or is controlled by a company which is a resident of the other Contracting Party, or which carries on business in that other Contracting Party (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other.

**CHAPTER III
TAXATION OF INCOME**

**Article 6
INCOME FROM IMMOVABLE PROPERTY**

1. Income derived by a resident of a Contracting Party from immovable property (including income from agriculture or forestry) situated in the other Contracting Party may be taxed in that other Contracting Party.
2. The term "immovable property" shall have the meaning which it has under the law of the Contracting Party in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, usufruct of immovable property and rights to variable or fixed payments as consideration for the working of, or the right to work, mineral deposits, sources and other natural resources; ships, boats and aircraft shall not be regarded as immovable property.
3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.
4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise.

**Article 7
BUSINESS PROFITS**

1. The profits of an enterprise of a Contracting Party shall be taxable only in that Contracting Party unless the enterprise carries on business in the other Contracting Party through a permanent establishment situated therein. If the enterprise carries on business as aforesaid, the profits of the enterprise may be taxed in the other Contracting Party but only so much of them as are attributable to that permanent establishment.
2. Subject to the provisions of paragraph 3, where an enterprise of a Contracting Party carries on business in the other Contracting Party through a permanent establishment situated therein, there shall in

each Contracting Party 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 Contracting Party in which the permanent establishment is situated or elsewhere.
4. Insofar as it has been customary in a Contracting Party to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various parts, nothing in paragraph 2 shall preclude that Contracting Party from determining the profits to be taxed by such an apportionment as may be customary; the method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles contained in this Article.
5. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.
6. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.
7. Where profits include items of income which are dealt with separately in other Articles of this Agreement, then the provisions of those Articles shall not be affected by the provisions of this Article.

Article 8

SHIPPING AND AIR TRANSPORT

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

2. If the place of effective management of a shipping enterprise is aboard a ship, then it shall be deemed to be situated in the Contracting Party in which the home harbour of the ship is situated, or, if there is no such home harbour, in the Contracting Party of which the operator of the ship is a resident.
3. 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 Party participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting Party, or
 - (b) the same persons participate directly or indirectly in the management, control or capital of an enterprise of a Contracting Party and an enterprise of the other Contracting Party,

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 Party includes in the profits of an enterprise of that Contracting Party – and taxes accordingly – profits on which an enterprise of the other Contracting Party has been charged to tax in that other Contracting Party and the profits so included are profits which would have accrued to the enterprise of the first-mentioned Contracting Party if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other Contracting Party shall make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Agreement and the competent

authorities of the Contracting Party shall if necessary consult each other.

Article 10 DIVIDENDS

1. Dividends paid by a company which is a resident of a Contracting Party to a resident of the other Contracting Party shall be taxable only in that other Contracting Party.
2. 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 Contracting Party of which the company making the distribution is a resident.
3. The provisions of paragraph 1 shall not apply if the beneficial owner of the dividends, being a resident of a Contracting Party, carries on business in the other Contracting Party 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 shall apply.
4. Where a company which is a resident of a Contracting Party derives profits or income from the other Contracting Party, that other Contracting Party 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 Contracting Party or insofar as the holding in respect of which the dividends are paid is effectively connected with a permanent establishment situated in that other Contracting Party, 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 Contracting Party.

Article 11 INCOME FROM DEBT CLAIMS

1. Income from debt claims arising in a Contracting Party and paid to a resident of the other Contracting Party shall be taxable only in that other Contracting Party.
2. The terms "income from debt claims" and "income" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government securities and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. The terms also include income from arrangements such as Islamic financial instruments where the substance of the underlying contracts can be assimilated to a loan. Penalty charges for late payment shall not be regarded as interest for the purposes of this Article.
3. The provisions of paragraph 1 shall not apply if the beneficial owner of the income, being a resident of a Contracting Party, carries on business in the other Contracting Party in which the income arises, through a permanent establishment situated therein and the debt-claim in respect of which the income is paid is effectively connected with such permanent establishment. In such case the provisions of Article 7 shall apply.
4. Income from debt claims shall be deemed to arise in a Contracting Party when the payer is a resident of that Contracting Party. Where, however, the person paying the income, whether he is a resident of a Contracting Party or not, has in a Contracting Party a permanent establishment in connection with which the indebtedness on which the income is paid was incurred, and such income is borne by such permanent establishment, then such income shall be deemed to arise in the Contracting Party in which the permanent establishment is situated.
5. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the income, 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 Party, due regard being had to the other provisions of this Agreement.

Article 12
ROYALTIES

1. Royalties arising in a Contracting Party and beneficially owned by a resident of the other Contracting Party shall be taxable only in that other Contracting Party.
2. 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 information concerning industrial, commercial or scientific experience.
3. The provisions of paragraph 1 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting Party carries on business in the other Contracting Party 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 shall apply.
4. Royalties shall be deemed to arise in a Contracting Party when the payer is a resident of that Contracting Party. Where, however, the person paying the royalties, whether he is a resident of a Contracting Party or not, has in a Contracting Party 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 Contracting Party in which the permanent establishment is situated.
5. 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 Party, due regard being had to the other provisions of this Agreement.

Article 13
CAPITAL GAINS

1. Gains derived by a resident of a Contracting Party from the alienation of immovable property referred to in Article 6 and situated in the other Contracting Party may be taxed in that other Contracting Party.
2. Gains from the alienation of movable property forming part of the business property of a permanent establishment which an enterprise of a Contracting Party has in the other Contracting Party, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise), may be taxed in that other Contracting Party.
3. Gains from the alienation of ships or aircraft operated in international traffic, or from movable property pertaining to the operation of such ships or aircraft, shall be taxable only in the Contracting Party in which the place of effective management of the enterprise is situated.
4. Gains derived by a resident of a Contracting Party from the alienation of shares deriving more than 50 percent of their value directly or indirectly from immovable property situated in the other Contracting Party may be taxed in that other Contracting Party.
5. Gains from the alienation of any property, other than that referred to in paragraphs 1, 2, 3 and 4, shall be taxable only in the Contracting Party of which the alienator is a resident.

Article 14
INCOME FROM EMPLOYMENT

1. Subject to the provisions of Articles 15, 17 and 18, salaries, wages and other similar remuneration derived by a resident of a Contracting Party in respect of an employment shall be taxable only in that Contracting Party unless the employment is exercised in the other Contracting Party. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other Contracting Party.
2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting Party in respect of an

employment exercised in the other Contracting Party shall be taxable only in the first-mentioned Contracting Party if:

- (a) the recipient is present in the other Contracting Party 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 Contracting Party, and
 - (c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in the other Contracting Party.
3. Notwithstanding the preceding provisions of this Article, remuneration derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic may be taxed in the Contracting Party in which the place of effective management of the enterprise is situated.

Article 15 DIRECTORS' FEES

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

Article 16 ARTISTES AND SPORTSMEN

1. Notwithstanding the provisions of Articles 7 and 14, income derived by a resident of a Contracting Party as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as a sportsperson, from his personal activities as such exercised in the other Contracting Party, may be taxed in that other Contracting Party.
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 and 14, be taxed in the Contracting Party in which the activities of the entertainer or sportsman are exercised.

3. The provisions of paragraphs 1 and 2 shall not apply to income derived from activities exercised in a Contracting Party by an entertainer or a sportsman if the visit to that Contracting Party is wholly or mainly supported by public funds of one or both of the Contracting Parties or local authorities thereof. In such case, the income shall be taxable only in the Contracting Party of which the entertainer or a sportsman is a resident.

Article 17 PENSIONS

Subject to the provisions of paragraph 2 of Article 18, pensions and other similar remuneration paid to a resident of a Contracting Party in consideration of past employment shall be taxable only in that Contracting Party.

Article 18 GOVERNMENT SERVICE

1. (a) Salaries, wages and other similar remuneration paid by a Contracting Party or a local authority thereof to an individual in respect of services rendered to that Contracting Party or authority shall be taxable only in that Contracting Party.

(b) However, such salaries, wages and other similar remuneration shall be taxable only in the other Contracting Party if the services are rendered in that Contracting Party and the individual is a resident of that Contracting Party who:
 - (i) is a national of that Contracting Party; or
 - (ii) did not become a resident of that Contracting Party 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 Party or a local authority thereof to an individual in

respect of services rendered to that Contracting Party or authority shall be taxable only in that Contracting Party.

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

3. The provisions of Articles 14, 15, 16 and 17 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 Party or a local authority thereof.

Article 19 STUDENTS

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

Article 20 OTHER INCOME

1. Items of income of a resident of a Contracting Party, wherever arising, not dealt with in the foregoing Articles of this Agreement shall be taxable only in that Contracting Party.
2. The provisions of paragraph 1 shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6, if the recipient of such income, being a resident of a Contracting Party, carries on business in the other Contracting Party 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 shall apply.

CHAPTER V METHODS FOR ELIMINATION OF DOUBLE TAXATION

Article 21
ELIMINATION OF DOUBLE TAXATION

1. Where a resident of a Contracting Party derives income which, in accordance with the provisions of this Agreement, may be taxed in the other Contracting Party, the first-mentioned Contracting Party shall allow as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in that other Contracting Party. Such deduction shall not, however, exceed that part of the income tax, as computed before the deduction is given, which is attributable, as the case may be, to the income which may be taxed in that other Contracting Party.
2. Where, in accordance with any provision of this Agreement, income derived by a resident of Bahrain is exempt from tax in Bahrain, Bahrain may nevertheless, in calculating the amount of tax on the remaining income of such resident, take into account the exempted income.
3. When imposing tax on its residents, Jersey may include in the basis upon which such taxes are imposed the items of income which, according to the provisions of this Agreement, may be taxed in Bahrain.

CHAPTER VI
SPECIAL PROVISIONS

Article 22
NON-DISCRIMINATION

1. Nationals of a Contracting Party shall not be subjected in the other Contracting Party 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 Contracting Party in the same circumstances, in particular with respect to residence, are or may be subjected. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not residents of one or both of the Contracting Parties.
2. The taxation on a permanent establishment which an enterprise of a Contracting Party has in the other Contracting Party shall not be less favourably levied in that other Contracting Party than the taxation levied on enterprises of that other Contracting Party carrying on the

same activities. This provision shall not be construed as obliging a Contracting Party to grant to residents of the other Contracting Party 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. Except where the provisions of paragraph 1 of Article 9, paragraph 5 of Article 11, or paragraph 5 of Article 12 apply, income from debt claims, royalties and other disbursements paid by an enterprise of a Contracting Party to a resident of the other Contracting Party 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 Contracting Party.
4. Enterprises of a Contracting Party, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting Party, shall not be subjected in the first-mentioned Contracting Party 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 Contracting Party are or may be subjected.
5. The provisions of this Article shall, notwithstanding the provisions of Article 2, apply to taxes of every kind and description.

Article 23

MUTUAL AGREEMENT PROCEDURE

1. Where a person considers that the actions of one or both of the Contracting Parties 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 Contracting Parties, present his case to the competent authority of either Contracting Party. 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 Party, with a view to the avoidance of taxation which is not in accordance with the Agreement. Any

agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting Parties.

3. The competent authorities of the Contracting Parties 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 Parties may communicate with each other directly, including through a joint commission consisting of themselves or their representatives, for the purpose of reaching an agreement in the sense of the preceding paragraphs.

Article 24

EXCHANGE OF INFORMATION

1. The competent authorities of the Contracting Parties shall exchange such information as is foreseeably relevant for carrying out the provisions of this Agreement or to the administration or enforcement of the domestic laws concerning taxes of every kind and description imposed on behalf of the Contracting Parties insofar as the taxation thereunder is not contrary to the Agreement. The exchange of information is not restricted by Articles 1 and 2.
2. Any information received under paragraph 1 by a Contracting Party shall be treated as secret in the same manner as information obtained under the domestic laws of that Contracting Party 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 the taxes referred to in paragraph 1, 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. Notwithstanding the foregoing, information received by a Contracting Party may be used for other purposes when such information may be used for such other purposes under the laws of both Contracting Parties and the competent authority of the supplying Contracting Party authorizes such use.
3. In no case shall the provisions of paragraphs 1 and 2 be construed so as to impose on a Contracting Party the obligation:

- (a) to carry out administrative measures at variance with the laws and administrative practice of that or of the other Contracting Party; or
 - (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 Party; or
 - (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 Party in accordance with this Article, the other Contracting Party shall use its information gathering measures to obtain the requested information, even though that other Contracting Party 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 Party 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 Party 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 25
MEMBERS OF DIPLOMATIC MISSIONS AND CONSULAR
POSTS

Nothing in this Agreement 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 26
ENTITLEMENT TO BENEFITS

1. Subject to paragraph 2, a benefit under this Agreement 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 this Agreement.

2. Where a benefit under this Agreement is denied to a person under the provisions of paragraph 1, the competent authority of the Contracting Party that would otherwise have granted this benefit shall nevertheless treat that person as being entitled to this benefit, or to different benefits with respect to a specific item of income, if such competent authority, upon request from that person and after consideration of the relevant facts and circumstances, determines that such benefits would have been granted to that person in the absence of the transaction or arrangement referred to in paragraph 1. The competent authority of the Contracting Party to which a request has been made will consult with the competent authority of the other Contracting Party before rejecting a request made under this paragraph by a resident of that other Contracting Party.

CHAPTER VII FINAL PROVISIONS

Article 27 ENTRY INTO FORCE

1. Each of the Contracting Parties shall provide notification to the competent authority of the other Contracting Party of the completion of the procedures required by its law for the bringing into force of this Agreement. The Agreement shall enter into force on the date of the later of these notifications.
2. The provisions of the Agreement shall have effect:
 - (a) in respect of taxes withheld at source, on income derived on or after the first day of January next following the year in which the Agreement enters into force;
 - (b) in respect of other taxes on income, for taxes chargeable for any fiscal year beginning on or after the first day of January next following the year in which the Agreement enters into force.

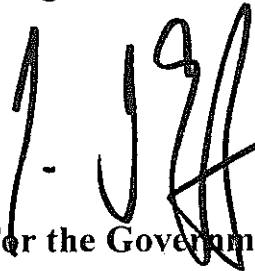
Article 28
TERMINATION

This Agreement shall remain in force until terminated by a Contracting Party. Either Contracting Party may terminate the Agreement, by giving written notice of termination to the competent authority of the other Contracting Party at least six months before the end of any calendar year after the period of five years from the date on which this Agreement enters into force. In such event, the Agreement shall cease to have effect:

- (a) in respect of taxes withheld at source, on income derived on or after the first day of January next following the year in which the notice is given;
- (b) in respect of other taxes on income, for taxes chargeable for any taxation year beginning on or after the first day of January next following the year in which the notice is given.

IN WITNESS WHEREOF the undersigned, being duly authorised thereto, have signed this Agreement.

DONE in duplicate at Manama, this 15th day of September 2025 in the Arabic and English languages, all texts being equally authentic. In case of divergence between the texts, the English text shall prevail.


**For the Government of
Jersey**


**For the Government of
The Kingdom of Bahrain**

Appendix 2 – Exchange of Letters confirming the treatment of Jersey’s Multinational Corporate Income Tax (“MCIT”) under the Agreement.



Mrs. Raghdan Saleh Qassim
Deputy Chief Executive, Policies and Foreign Relations
National Bureau for Revenue
Manama
Kingdom of Bahrain

11 September 2025

Dear Mrs. Saleh Qassim,

I have the honour to refer to the Agreement between the Government of the Kingdom of Bahrain and the Government of Jersey for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance (the Agreement).

On behalf of Revenue Jersey, I propose at the time of signing the Agreement, an exchange of letters with the National Bureau for Revenue whereby, under paragraph 3 of Article 2 (Taxes Covered) of the Agreement, it is understood that the reference to Jersey "income tax" will be interpreted to include both income tax and the Multinational Corporate Income Tax (MCIT), a new corporate income tax introduced in Jersey with respect to accounting periods beginning on or after 1 January 2025.

Further, Revenue Jersey proposes that this exchange of letters will be used as an aid to interpreting the Agreement and that this letter represents the first part of this exchange.

I would be grateful if you could kindly confirm that the National Bureau for Revenue accepts this proposal.

Yours sincerely,

Frederick Holmes
Principal External Relations Officer



FTR/3/L/240/TA/2025

15 September 2025

Mr. Frederick Holmes
Principal External Relations Officer
Ministry of External Relations
Government of Jersey
St Helier
Jersey

Dear Mr. Holmes,

**Re: Exchange of Competent Authority Letters – Article 2 of the Kingdom of
Bahrain and Jersey Double Taxation Agreement**

I have the honour to acknowledge the receipt of your letter of - 11 September 2025 concerning the interpretation of paragraph 3 of Article 2 (Covered Taxes) of the Agreement between the Government of the Kingdom of Bahrain and the Government of Jersey for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance (the Agreement).

I confirm that the National Bureau for Revenue accepts Revenue Jersey's proposals for interpreting paragraph 3 of Article 2 (Taxes Covered) of the Agreement.

Yours sincerely,

Raghdan Saleh Qassim
Deputy Chief Executive of Policies and Foreign Relations