

## CONVENTION

**between the Government of the Kingdom of Saudi Arabia and  
the Government of the Russian Federation  
for the avoidance of double taxation and the prevention of tax evasion  
with respect to taxes  
on income and on capital**



The Government of the Kingdom of Saudi Arabia and the Government of the Russian Federation,

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

Have agreed as follows:

## **Article 1**

### **Personal Scope**

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

## **Article 2**

### **Taxes Covered**

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



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

3. This Convention shall apply to the following existing taxes:

(a) In the case of the Kingdom of Saudi Arabia:

(i) The Zakat,

(ii) The income tax including the natural gas investment tax

(hereinafter referred to as the "Saudi Tax");

(b) In the case of the Russian Federation:

(i) Tax on profits of organisations,

(ii) Income tax on individuals,

(iii) Tax on property of organisations,

(iv) Tax on property of individuals

(hereinafter referred to as the "Russian Tax").

4. The provisions of this Convention shall also apply to any identical or substantially similar taxes which are imposed after the date of signature of this Convention in addition to,



or in place of, the existing taxes. The competent authorities in both Contracting States shall notify each other of any significant change in their respective taxation laws.

### **Article 3**

#### **General Definitions**

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

(a) The terms "a Contracting State" and "the other Contracting State" means the Kingdom of Saudi Arabia or the Russian Federation as the context requires;

(b) The term "Kingdom of Saudi Arabia" means the territory of the Kingdom of Saudi Arabia and also includes the area outside the territorial waters, where the Kingdom of Saudi Arabia exercises its sovereign rights and jurisdiction in its waters and with respect to its seabed, subsoil and natural resources by virtue of its law and the international law;

(c) The term "the Russian Federation" means the territory of the Russian Federation as well as its exclusive economic zone and continental shelf where the Russian Federation exercises its sovereign rights and jurisdiction in conformity with the United Nations Convention on the Law of the Sea, 1982;

(d) The term "person" includes any natural person, any company or any other body of persons, including inter alia bodies politic (the State, its political or administrative sub-division or local authorities), partnerships, trusts and foundations;



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

(f) The terms "enterprise of a Contracting State" and "enterprise of the other Contracting State" mean respectively an enterprise carried on by a resident of a Contracting State and an enterprise carried on by a resident of the other Contracting State;

(g) The term "national" means:

(i) Any individual possessing the nationality or citizenship of a Contracting State;

(ii) Any legal person, partnership and association deriving its status as such from the laws in force in a Contracting State;

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

(i) The term "competent authority" means:

(i) In the case of the Kingdom of Saudi Arabia, the Ministry of Finance represented by Minister of Finance or his authorized representative;



(ii) In the case of the Russian Federation, the Ministry of Finance or its authorized representative.

2. As regards the application of the Convention at any time by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning that it has at that time under the law of that State for the purposes of the taxes to which the Convention applies, any meaning under the applicable tax laws of that State prevailing over a meaning given to the term under other laws of that State.

#### **Article 4**

##### **Resident**

1. For the purposes of this Convention, the term "resident of a Contracting State" means:

(a) Any person who, under the law of that State is liable to taxes in that State by reason of his domicile, residence, place of management, place of registration or any other criterion of a similar nature;

(b) The Government of any of the two Contracting States or any of its legal institutions, agencies or its local authorities.



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

(a) He shall be deemed to be a resident only of the State in which he has a permanent home available to him; if he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident only of the Contracting State in 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 has not a permanent home available to him in either Contracting State, he shall be deemed to be a resident only of the 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 only 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.

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



## Article 5

### Permanent Establishment

1. For the purpose of this Convention, the term "permanent establishment" means a fixed place of business through which the business of an enterprise is wholly or partly carried on.
  
2. The term "permanent establishment" includes but is not limited to:
  - (a) A place of management;
  - (b) A branch;
  - (c) An office;
  - (d) A factory;
  - (e) A workshop;
  - (f) A mine, a quarry or any other place of extraction of natural resources.
  
3. The term "permanent establishment" also includes:
  - (a) A building site, a construction, assembly or installation project, or supervisory activities, in connection therewith, but only where such site, project or activities continue for a period of more than six months;





(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 12-month period.

4. Notwithstanding the preceding provisions of this Article a permanent establishment does not include a fixed place of business used only for one or more of the following:

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

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

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

(d) The maintenance of a fixed place of business for the sole purpose of purchasing goods or merchandise or for collecting information for the enterprise;



(e) The maintenance of a fixed place of business for the sole purpose of advertising, submitting data, or similar activities of preliminary or auxiliary nature for the enterprise.

5. A person acting in one of the two Contracting States on behalf of an enterprise of the other Contracting State - other than an agent of an independent status to whom the provisions of paragraph 6 of this Article apply – shall be deemed to be a permanent establishment in the first mentioned State, if this person has in the first mentioned Contracting State an authority to conclude contracts in the name of that enterprise and has habitually exercised such authority in it.

6. An enterprise in one of the two Contracting States shall not be deemed to have a permanent establishment in the other Contracting State merely because it carries on business in that State through a broker, general commission agent or any other agent of an independent status, provided that this broker or agent is acting in the ordinary course of his business.

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

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 derived by a resident of a Contracting State from immovable property (including income from agriculture or forestry) situated in the other Contracting State may be taxed in that other Contracting State.
  
2. The term "immovable property" shall have the meaning provided for in the laws or regulations of the Contracting State in which the property in question is situated. This 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 and aircraft shall not be regarded as immovable property.
  
3. The provisions of paragraph 1 of this Article shall apply to income derived from the direct use, letting or use in any other form of immovable property.



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

## **Article 7**

### **Business Profits**

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

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

3. In the determination of the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the business 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 income from debt-claims with regard to moneys lent to the permanent establishment. Likewise, no account shall be taken, in the determination of 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 debt-claims with regard to moneys lent to the head office of the enterprise or any of its other offices.

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

5. Where profits include items of income which are dealt with separately in other Articles of this Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.





## **Article 8**

### **Shipping and Air Transport**

1. Profits from the operation of ships or aircraft in international traffic shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.
  
2. If the place of effective management of a shipping enterprise is aboard a ship or boat, then it shall be deemed to be situated in the Contracting State in which the home harbour of the ship or boat is situated, or, if there is no such home harbour, in the Contracting State of which the operator of the ship or boat is a resident.
  
3. The provisions of paragraph 1 shall also apply to profits from the participation in a pool, a joint business or an international operating agency.

## **Article 9**

### **Associated Enterprises**

1. Where:
  - (a) An enterprise of a Contracting State participates directly or indirectly in the management, control or capital of an enterprise of the other Contracting State, or



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

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

## **Article 10**

### **Dividends**

1. Dividends paid by a company which is a resident of a Contracting State to a resident of the other Contracting State may be taxed in that other Contracting State.





2. However, such dividends may also be taxed in the Contracting State of which the company paying the dividends is a resident and according to the laws of that Contracting State, but if the beneficial owner of the dividends is a resident of the other Contracting State, the tax so charged shall not exceed 5% (five 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.

3. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, dividends paid by a company which is a resident of a Contracting State shall not be taxable in that Contracting State if the beneficial owner of the dividends is:

(a) the Government, a political or administrative sub-division or local authority of the other Contracting State; or

(b) the Central Bank of the other Contracting State; or

(c) other governmental agencies or financial institutions as may be specified and agreed to in exchange of notes between the competent authorities of the Contracting States.



4. 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 subject to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident.



5. The provisions of paragraphs 1, 2 and 3 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 in that other Contracting State, or performs in that other Contracting State independent personal services from a fixed base situated in that other Contracting State, 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.

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

## **Article 11**

### **Income from Debt-Claims**

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



2. However, such income from debt-claims may also be taxed in the Contracting State in which it arises and according to the laws of that Contracting State, but if the beneficial owner of the income from debt-claims is a resident of the other Contracting State, the tax so charged shall not exceed 5% (five per cent) of the gross amount of such income from debt-claims.

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

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

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

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

4. The term "Income from Debt-Claims" as used in this Article means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor's profits, and in particular, income from government



securities, and income from bonds or debentures, including premiums and prizes attaching to such securities, bonds or debentures. Penalty charges for late payment shall not be regarded as income from debt-claims for the purpose of this Article.

5. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the income from debt-claims, being a resident of a Contracting State, carries on business in the other Contracting State in which the income from debt-claims arises, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the debt-claim in respect of which such income is 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.

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

7. Where, by reason of a special relationship between the payer and the beneficial owner or between both of them and some other person, the amount of the income from debt-claims, having regard to the debt-claim for which it is paid, exceeds the amount which



would have been agreed upon by the payer and the beneficial owner in the absence of such relationship, the provisions of this Article shall apply only to the last-mentioned amount. In such case, the excess part of the payments shall remain taxable according to the laws of each Contracting State, due regard being had to the other provisions of this Convention.

## **Article 12**

### **Royalties**

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other State.
  
2. However, such royalties may also be taxed in the Contracting State in which they arise and according to the laws of that Contracting State, but if the beneficial owner of the royalties is a resident of the other Contracting State, the tax so charged shall not exceed 10% (ten per cent) of the gross amount of the royalties.
  
3. The term "royalties" as used in this Article means payment 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 cinematography films, or films or tapes used 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 scientific experience.
  
4. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the royalties, being a resident of a Contracting State, carries on business in the other Contracting



State in which the royalties arise, through a permanent establishment situated therein, or performs in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the royalties are paid is effectively connected with such permanent establishment or fixed base. In such 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 political subdivision, a local authority or a resident of that State. Where, however, the person paying the royalties, whether he is a resident of a Contracting State or not, has in a Contracting State a permanent establishment or a fixed base in connection with which the liability to pay the royalties was incurred, and such royalties are borne by such permanent establishment or fixed base, then such royalties shall be deemed to arise in the State in which the permanent establishment or fixed base is situated.

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

## **Article 13**

### **Capital Gains**



1. Capital gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 and situated in the other Contracting State may be taxed in that other State.
  
2. Capital gains derived by a resident of a Contracting State from the alienation of movable property that formed part of the business property of a permanent establishment of the alienator in the other Contracting State or is closely connected with the performance of independent personal services (to which Article 14 applies), by the alienator in that other State, including capital gains arising from the alienation of such a permanent establishment, may be taxed in that other State.
  
3. Notwithstanding the provisions of paragraph 2, the capital gains resulting from the alienation of the property of shares that constitute a share in the capital of the company which is a resident of one of the two Contracting States are taxable in the State in which the company exists.
  
4. Capital gains derived from the alienation of any property other than that referred to in paragraphs 1, 2 or 3, shall be taxable only in the Contracting State of which the alienator is a resident.

## **Article 14**

### **Independent Personal Services**





1. Income derived by a resident of a Contracting State in respect of professional services or other activities of an independent character shall be taxable only in that State except in the following circumstances, when such income may also be taxed in the other Contracting State:

(a) If he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities; in that case, only so much of the income as is attributable to that fixed base may be taxed in that other Contracting State; or

(b) If his stay in the other Contracting State is for a period or periods amounting to or exceeding in the aggregate 183 days in any twelve-month period commencing or ending in the fiscal year concerned; in that case, only so much of the income as is derived from his activities performed in that other State may be taxed in that other State; or

(c) If the remuneration for his activities in the other Contracting State is paid by a resident of that Contracting State or is borne by a permanent establishment situated in that Contracting State and exceeds in the fiscal year one hundred thousand US dollar; in that case, so much of the income as is derived from the individual's activities in that other State may be taxed in that State.

2. The term "professional services" includes especially, the independent scientific, literary, 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 in the other Contracting State. If the employment is so exercised, such remuneration as is derived therefrom may be taxed in that other State.
  
2. Notwithstanding the provisions of paragraph 1, remuneration derived by a resident of a Contracting State in respect of an employment exercised in the other Contracting State shall be taxable only in the first-mentioned State if:
  - (a) The recipient is present in the other State for a period or periods not exceeding in the aggregate 183 days in any twelve-month period commencing or ending in the fiscal year concerned, and
  
  - (b) The remuneration is paid by, or on behalf of, an employer who is not a resident of the other State, and
  
  - (c) The remuneration is not borne by a permanent establishment 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 in international traffic, or aboard a boat engaged in inland waterways transport, may be taxed in the Contracting State in which the place of effective management of the enterprise is situated.

## **Article 16**

### **Directors' Fees**

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



## **Article 17**

### **Artists 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 artist, or a musician, or as a sportsman, from his personal activities as such exercised in the other Contracting State, may be taxed in that other State.
  
2. Where income in respect of personal activities exercised by an entertainer or a sportsman in his capacity as such accrues not to the entertainer or sportsman himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15, be taxed in the Contracting State in which the activities of the entertainer or sportsman are exercised.

## **Article 18**

### **Pensions**

1. Subject to the provisions of Article 19, pensions and other similar remuneration paid to a resident of a Contracting State in consideration of past employment shall be taxable only in that State.
  
2. Notwithstanding the provisions of paragraph 1, pensions paid and other payments made under a public scheme which is part of the social security system of a Contracting



State or a political, or administrative sub-division or a local authority thereof shall be taxable only in that State.

## **Article 19**

### **Government Service**

Salaries, wages and other similar remunerations and pensions paid by a Contracting State, its political or administrative sub-division, or a local authority thereof to an individual in respect of services rendered to that State, its political or administrative sub-division, or local authority thereof shall be taxable only in that State, unless those services are performed in connection with industrial or business activities carried on by the Contracting State, its political or administrative sub-division, or a local authority thereof in the other Contracting State. In this case, they may be taxed by the other Contracting State.

## **Article 20**

### **Students**

1. Payments which a student or trainee who is or was a resident of a Contracting State and who is present in the other Contracting State for the purpose of education or vocational or occupational training, receives for the purpose of his maintenance, education or training shall not be taxable in that other State, provided that the payments are transferred from sources outside that other State.



2. Payments received by the student or trainee who is or was a resident of a Contracting State and who is present in the other Contracting State for the purpose of education or training and which constitute remuneration in respect of services performed in that other Contracting State are not taxable in that other State, provided that services are connected with education or training or are necessary for maintenance purposes.

### **Article 21**

#### **Teachers and Researchers**

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

### **Article 22**

#### **Other Income**

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

2. The provisions of paragraph 1 shall not apply to income, other than income from immovable property as defined in paragraph 2 of Article 6, if the recipient of such income, being a resident of a Contracting State, carries on business in the other Contracting State through a permanent establishment situated therein, or performs in that other State



independent personal services from a fixed base situated therein, and the right or property in respect of which the income is paid is effectively connected with such permanent establishment or fixed base. In such case the provisions of Article 7 or Article 14, as the case may be, shall apply.

## **Article 23**

### **Capital**

1. Capital represented by immovable property referred to in Article 6, owned by a resident of a Contracting State and situated in the other Contracting State, may be taxed in that other State.
2. Capital represented by movable property forming part of the assets of a permanent establishment which a resident of a Contracting State has in the other Contracting State or by movable property pertaining to a fixed base available to such resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, may be taxed in that other State.



3. Capital represented by ships and aircraft operated by an enterprise of a Contracting State in international traffic, or by other kinds of movable property in connection with the operation of such ships and aircraft shall be taxable only in that Contracting State .

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

#### **Article 24**

##### **Methods for Elimination of Double Taxation**

1. It is agreed that double taxation shall be avoided in accordance with the following paragraph.

2. Where a resident of a Contracting State derives income or owns capital which , in accordance with the provision of this Convention, may be taxed in the other Contracting State, the first-mentioned State shall credit the amount paid, as a tax specified in Article 2 of this Convention, against the tax levied in that State. The amount of credit, however, shall not exceed the amount of the tax on that income or capital computed in accordance with its taxation laws and regulations.

#### **Article 25**

##### **Investment Laws**





Tax which was subject to exemption or deduction for a limited period under the provisions of encouragement of investment laws of either Contracting State shall be deemed to have been settled, and must be deductible in the other Contracting State from the taxes payable on such incomes.

## **Article 26**

### **Mutual Agreement Procedure**

1. Where a person considers that the actions of one or both of the States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the State of which he is a resident. The case must be presented within two years from the first notification of the action resulting in taxation not in accordance with the provisions of this Convention.
2. The competent authority shall endeavour, if the objection appears to it to be justified and if it is not itself able to arrive at a satisfactory solution, to resolve the case by mutual agreement with the competent authority of the other Contracting State, with a view to the avoidance of taxation which is not in accordance with this Convention. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting States.
3. The competent authorities of both Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of



this Convention. They may also consult together for the elimination of double taxation in cases not provided for in this Convention.

4. The competent authorities of the Contracting States shall by mutual agreement settle the appropriate mode of application of this Convention and, especially, the requirements to which the residents of a Contracting State shall be subjected in order to obtain, in the other State, the tax reliefs or exemptions provided for by this Convention.

## **Article 27**

### **Exchange of Information**

1. The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting States concerning taxes covered by this Convention insofar as the taxation thereunder is not contrary to this Convention. The exchange of information is not restricted by Article 1. Any information received by a Contracting State shall be treated as confidential 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 of, or the determination of appeals in relation to, the taxes covered by this Convention. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.



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

- (a) To carry out administrative measures at variance with the laws 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.

## **Article 28**

### **Diplomatic and Consular Officers**

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



## **Article 29**

### **Entry into Force**

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

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

(a) In respect of taxes withheld at the source on the amounts paid on or after the first day of January of the calendar year following that in which the Convention enters into force;

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

## **Article 30**

### **Termination**

1. This Convention shall remain in force for a period of ten years and shall remain in force thereafter for an unlimited period unless renounced in writing by either Contracting



State through diplomatic channels twelve months before its expiration. After the expiry of the period of ten years, this Convention may be renounced at any time by either Contracting State giving twelve months' notice.

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

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

(b) In respect of other taxes on income derived in the calendar year in which the notice of termination of this Convention was given.

(c) As regards the tax on capital owned on the first of January of the calendar year at the end of which it ceases to be in force.

In witness whereof the undersigned, being duly authorized thereto, have signed this Convention.

Done in duplicate at Riyadh on February 11, 2007 in the Arabic, Russian and English languages, all texts being equally authentic. In case of divergence of interpretation the English text shall be operative one.



**FOR THE GOVERNMENT**

**OF THE KINGDOM**

**OF SAUDI ARABIA**

**FOR THE GOVERNMENT**

**OF THE RUSSIAN FEDERATION**

**IBRAHIM A. AL-ASSAF**

**MINISTER OF FINANCE**

**SERGEY SHATALOV**

**VICE- MINISTER OF FINANCE**



## PROTOCOL

At the moment of signing the Convention between the Government of the Kingdom of Saudi Arabia and the Government of the Russian Federation for the avoidance of double taxation and the prevention of tax evasion with respect to taxes on income and on capital, the undersigned have agreed that the following provisions shall form an integral part of the Convention:

### **Ad Article 4**

For the purpose of this Convention, the term "resident of a Contracting State" also means:

A legal person organized under the law of a Contracting State and that is generally exempt from tax in that State and is established and maintained in that State either:

- (a) Exclusively for a religious, charitable, educational, scientific, or other similar purpose; or
  
- (b) To provide pensions or other similar benefits to employees pursuant to plan.



### **Ad Article 7**

1. Notwithstanding other provisions of Article 7 of this Convention, the business profits derived by an establishment of a Contracting State from the exportation of merchandise to the other Contracting State shall not be taxed in that other Contracting State. Where export contracts include other activities carried on in the other Contracting State such activities shall be taxed in the other Contracting State.

2. Nothing in Article 7 of this Convention shall affect the operation of any law of a Contracting State relating to tax imposed on profits from insurance with non-residents provided that if the relevant law in force in either Contracting State at the date of signature of this convention is varied (otherwise than in minor respects so as not to affect its general character) the Contracting States shall consult with each other with a view to agreeing to any amendment of this paragraph as may be appropriate.

### **Ad Article 10**

In accordance with the provisions of paragraph 3, it is agreed that dividends paid by a company which is a resident of a Contracting State shall not be taxable in that Contracting State if the beneficial owner of the dividends is:





(a) any governmental institution of the other Contracting State created under national legislation of the other Contracting State;

(b) any entity established in the other Contracting State by the Government of that Contracting State or any of its governmental institutions, together with similar bodies of other states;

(c) a company which is a resident of the other Contracting State and is controlled or at least 25 per cent of its capital is owned directly by the Government or a governmental institution or other entity thereof, as defined in sub-paragraphs (a) and (b) above.

#### **Ad Article 19**

In the case of the Kingdom of Saudi Arabia the provisions of this Article also apply to the salaries, wages and other similar remunerations and pensions paid by public juridical persons.

#### **Ad Article 24**



In the case of the Kingdom of Saudi Arabia, the methods for elimination of double taxation will not prejudice to the provisions of the Zakat collection regime as regards Saudi nationals.

Done in duplicate at Riyadh on February 11, 2007 in the Arabic, Russian and English languages, all texts being equally authentic. In case of divergence of interpretation the English text shall be operative one.