

CONVENTION BETWEEN
THE GOVERNMENT OF JAPAN
AND
THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA
FOR THE AVOIDANCE OF DOUBLE TAXATION
AND THE PREVENTION OF TAX EVASION
WITH RESPECT TO TAXES ON INCOME

The Government of Japan and the Government of the Kingdom of Saudi Arabia,

Desiring to conclude a Convention for the avoidance of double taxation and the prevention of tax evasion with respect to taxes on income,

Have agreed as follows:

Article 1
Persons Covered

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 imposed on behalf of a Contracting State or a political subdivision or local authority thereof, 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 any property.

3. The existing taxes to which this Convention shall apply are:

(a) in the case of Japan:

(i) the income tax;

(ii) the corporation tax; and

(iii) the local inhabitant taxes

(hereinafter referred to as "Japanese tax"); and

- (b) in the case of the Kingdom of Saudi Arabia:
 - (i) the Zakat; and
 - (ii) the income tax including the natural gas investment tax
- (hereinafter referred to as "Saudi tax").

4. This Convention shall apply also to any identical or substantially similar taxes that are imposed after the date of signature of this Convention in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other of any significant changes that have been made in their respective taxation laws, within a reasonable period of time after such changes.

Article 3 General Definitions

1. For the purposes of this Convention, unless the context otherwise requires:
- (a) the term "Japan", when used in a geographical sense, means all the territory of Japan, including its territorial sea, in which the laws relating to Japanese tax are in force, and all the area beyond its territorial sea, including the seabed and subsoil thereof, over which Japan has sovereign rights in accordance with international law and in which the laws relating to Japanese tax are in force;
 - (b) the term "Kingdom of Saudi Arabia" means the territory of the Kingdom of Saudi Arabia which also includes the area outside its territorial waters, where the Kingdom of Saudi Arabia exercises its sovereign and jurisdictional rights in its waters, seabed, subsoil and natural resources by virtue of its domestic law and international law;
 - (c) the terms "a Contracting State" and "the other Contracting State" mean Japan or the Kingdom of Saudi Arabia, as the context requires;
 - (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 that is treated as a body corporate 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 "international traffic" means any transport by a ship or aircraft operated by an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;
- (h) the term "national" means:
 - (i) any individual possessing the nationality of a Contracting State; and
 - (ii) any juridical person, partnership or association deriving its status as such from the laws of a Contracting State and any organisation without juridical personality treated for the purposes of tax as a juridical person deriving its status as such from the laws of that Contracting State; and
- (i) the term "competent authority" means:
 - (i) in the case of Japan, the Minister of Finance or his authorised representative; and
 - (ii) in the case of the Kingdom of Saudi Arabia, the Ministry of Finance represented by the Minister of Finance or his authorised representative.

2. As regards the application of this 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 laws of that Contracting State for the purposes of the taxes to which this Convention applies, any meaning under the applicable tax laws of that Contracting State prevailing over a meaning given to the term under other laws of that Contracting State.

Article 4
Resident

1. For the purposes of this Convention, the term "resident of a Contracting State" means any person who, under the laws of that Contracting State, is liable to tax therein by reason of his domicile, residence, place of head or main office, place of incorporation, place of management or any other criterion of a similar nature, and also includes that Contracting State and any political subdivision or local authority thereof. This term, however, does not include any person who is liable to tax in that Contracting State in respect only of income from sources in that Contracting State.

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

- (a) he shall be deemed to be a resident only of the Contracting State in which he has a permanent home available to him; if he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident only of the Contracting State with which his personal and economic relations are closer (centre of vital interests);
- (b) if the Contracting State 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 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 of this Article 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 Contracting State in which its place of head or main office or its place of effective management is situated.

Article 5
Permanent Establishment

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

2. The term "permanent establishment" includes especially:

- (a) a place of management;
- (b) a branch;
- (c) an office;
- (d) a factory;
- (e) a workshop; and
- (f) a 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 if such site, project or activities last more than 183 days; and
- (b) the furnishing of services, including consultancy services, by an enterprise through employees or other personnel engaged by the enterprise for such purposes, but only if activities of that nature continue (for the same or a connected project) within a Contracting State for a period or periods aggregating more than 183 days within any twelve month period.

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

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

- (c) the maintenance of a stock of goods or merchandise belonging to the enterprise solely for the purpose of processing by another enterprise;
- (d) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise or of collecting information, for the enterprise;
- (e) the maintenance of a fixed place of business solely for the purpose of carrying on, for the enterprise, any other activity of a preparatory or auxiliary character;
- (f) the maintenance of a fixed place of business solely for any combination of activities mentioned in subparagraphs (a) to (e) of this paragraph, provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

5. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, where a person - other than an agent of an independent status to whom the provisions of paragraph 6 of this Article apply - is acting on behalf of an enterprise and has, and habitually exercises, in a Contracting State an authority to conclude contracts in the name of the enterprise, that enterprise shall be deemed to have a permanent establishment in that Contracting State in respect of any activities which that person undertakes for the enterprise, unless the activities of such person are limited to those mentioned in paragraph 4 of this Article 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.

6. An enterprise shall not be deemed to have a permanent establishment in a Contracting State merely because it carries on business in that Contracting State 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.

7. Notwithstanding the preceding provisions of this Article, an insurance enterprise of a Contracting State shall be deemed to have a permanent establishment in the other Contracting State if it collects premiums in that other Contracting State or insures risks situated therein.

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 Contracting 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 which it has under the laws of the Contracting State in which the property in question is situated. The term shall in any case include property accessory to immovable property, livestock and equipment used in agriculture and forestry, rights to which the provisions of general law respecting landed property apply, 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 of this Article 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 Contracting 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 that other Contracting State but only so much of them as is attributable to that permanent establishment.

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

3. In determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the Contracting State in which the permanent establishment is situated or elsewhere.

4. 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.

5. For the purposes of the preceding paragraphs of this Article, 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.

6. 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 carried on by an enterprise of a Contracting State shall be taxable only in that Contracting State.

2. The provisions of paragraph 1 of this Article 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 accordance with the provisions of paragraph 1 of this Article, in the profits of an enterprise of that Contracting State - and taxes accordingly - profits on which an enterprise of the other Contracting State has been charged to tax in that other Contracting State and where the competent authorities of the Contracting States agree, upon consultation, that all or part of the profits so included are profits which would have accrued to the enterprise of the first-mentioned Contracting State if the conditions made between the two enterprises had been those which would have been made between independent enterprises, then that other Contracting State shall make an appropriate adjustment to the amount of the tax charged therein on those agreed profits. In determining such adjustment, due regard shall be had to the other provisions of this Convention.

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:

- (a) 5 per cent of the gross amount of the dividends if the beneficial owner is a company which holds directly or indirectly, during the period of 183 days ending on the date on which entitlement to the dividends is determined, at least 10 per cent of the voting shares or of the total issued shares of the company paying the dividends; or
- (b) 10 per cent of the gross amount of the dividends in all other cases.

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

3. The term "dividends" as used in this Article means income from shares or other rights, not being debt-claims, participating in profits, as well as income which is subjected to the same taxation treatment as income from shares by the tax laws of the Contracting State of which the company making the distribution is a resident.

4. The provisions of paragraphs 1 and 2 of this Article shall not apply if the beneficial owner of the dividends, being a resident of a Contracting State, carries on business in the other Contracting State of which the company paying the dividends is a resident, through a permanent establishment situated therein, or performs in that other Contracting State independent personal services from a fixed base situated therein, and the holding in respect of which the dividends are paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 or 14 of this Convention, as the case may be, shall apply.

5. Where a company which is a resident of a Contracting State derives profits or income from the other Contracting State, that other Contracting 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 Contracting 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 Contracting 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 Contracting 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 Contracting 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 10 per cent of the gross amount of the income from debt-claims.

3. Notwithstanding the provisions of paragraph 2 of this Article, income from debt-claims arising in a Contracting State shall be taxable only in the other Contracting State if:

- (a) the income from debt-claims is beneficially owned by the Government of that other Contracting State, a political subdivision or local authority thereof, or the central bank of that other Contracting State or any institution wholly owned by that Government; or
- (b) the income from debt-claims is beneficially owned by a resident of that other Contracting State with respect to debt-claims guaranteed, insured or indirectly financed by the Government of that other Contracting State, a political subdivision or local authority thereof, or the central bank of that other Contracting State or any institution wholly owned by that Government.

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, and all other income that is subjected to the same taxation treatment as income from money lent by the tax laws of the Contracting State in which the income arises. Income dealt with in Article 10 of this Convention shall not be regarded as income from debt-claims for the purposes of this Convention.

5. The provisions of paragraphs 1 and 2 of this Article 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 Contracting State independent personal services from a fixed base situated therein, and the debt-claim in respect of which the income from debt-claims is paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 or 14 of this Convention, 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 a resident of that Contracting State. Where, however, the person paying the income from debt-claims, 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 from debt-claims is paid was incurred, and such income from debt-claims is borne by such permanent establishment or fixed base, then such income from debt-claims shall be deemed to arise in the Contracting 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 Contracting 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:

- (a) 5 per cent of the gross amount of the royalties which are paid for the use of, or the right to use, industrial, commercial or scientific equipment; or
- (b) 10 per cent of the gross amount of the royalties in all other cases.

3. The term "royalties" as used in this Article means payments of any kind received as a consideration for the use of, or the right to use, any copyright of literary, artistic or scientific work including cinematograph films and films or tapes used for radio or television broadcasting, any patent, trade mark, design or model, plan, or 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 of this Article 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 Contracting 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 14 of this Convention, as the case may be, shall apply.

5. Royalties shall be deemed to arise in a Contracting State when the payer is a resident of that Contracting 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 Contracting 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. Gains derived by a resident of a Contracting State from the alienation of immovable property referred to in Article 6 of this Convention and situated in the other Contracting State may be taxed in that other Contracting State.

2. Gains derived by a resident of a Contracting State from the alienation of shares or other comparable interests in a company deriving at least 50 per cent of its value directly or indirectly from immovable property referred to in Article 6 of this Convention and situated in the other Contracting State may be taxed in that other Contracting State.

3. Gains derived by a resident of a Contracting State from the alienation of shares issued by a company being a resident of the other Contracting State may be taxed in that other Contracting State, if shares owned by the alienator (together with such shares owned by any other related or connected persons as may be aggregated therewith) amount to at least 25 per cent of the total issued shares of such company at any time during the taxable year in which the alienation takes place.

4. Gains from the alienation of any property, other than immovable property, forming part of the business property of a permanent establishment which an enterprise of a Contracting State has in the other Contracting State or of any property, other than immovable property, pertaining to a fixed base available to a resident of a Contracting State in the other Contracting State for the purpose of performing independent personal services, including such gains from the alienation of such a permanent establishment (alone or with the whole enterprise) or of such a fixed base, may be taxed in that other Contracting State.

5. Gains derived by an enterprise of a Contracting State from the alienation of ships or aircraft operated by that enterprise in international traffic or any property, other than immovable property, pertaining to the operation of such ships or aircraft shall be taxable only in that Contracting State.

6. Gains from the alienation of any property other than that referred to in the preceding paragraphs of this Article 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 Contracting State unless:

- (a) he has a fixed base regularly available to him in the other Contracting State for the purposes of performing his activities; or
- (b) he is present in the other Contracting State for a period or periods amounting to or exceeding in the aggregate 183 days in any twelve month period commencing or ending in the taxable year concerned.

If he has such a fixed base or remains in that other Contracting State for the aforesaid period or periods, the income may be taxed in that other Contracting State but only so much of it as is attributable to that fixed base or is derived in that other Contracting State during the aforesaid period or periods.

2. The term "professional services" includes especially independent scientific, literary, artistic, educational or teaching activities as well as the independent activities of physicians, lawyers, engineers, architects, dentists and accountants.

Article 15
Dependent Personal Services

1. Subject to the provisions of Articles 16, 18, 19, 20 and 21 of this Convention, 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 Contracting 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 Contracting State.

2. Notwithstanding the provisions of paragraph 1 of this Article, 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 Contracting State if:

- (a) the recipient is present in that other Contracting State for a period or periods not exceeding in the aggregate 183 days in any twelve month period commencing or ending in the taxable year concerned;
- (b) the remuneration is paid by, or on behalf of, an employer who is not a resident of that other Contracting State; and
- (c) the remuneration is not borne by a permanent establishment or a fixed base which the employer has in that other Contracting 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 by an enterprise of a Contracting State may be taxed in that Contracting State.

Article 16
Directors' Fees

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

Article 17
Artistes and Sportspersons

1. Notwithstanding the provisions of Articles 14 and 15 of this Convention, income derived by a resident of a Contracting State as an entertainer, such as a theatre, motion picture, radio or television artiste, or a musician, or as a sportsperson, from his personal activities as such exercised in the other Contracting State, may be taxed in that other Contracting State.

2. Where income in respect of personal activities exercised by an entertainer or a sportsperson in his capacity as such accrues not to the entertainer or sportsperson himself but to another person, that income may, notwithstanding the provisions of Articles 7, 14 and 15 of this Convention, be taxed in the Contracting State in which the activities of the entertainer or sportsperson are exercised.

Article 18
Pensions

Subject to the provisions of paragraph 2 of Article 19 of this Convention, pensions and other similar remuneration paid to a resident of a Contracting State shall be taxable only in that Contracting State.

Article 19
Government Service

1. (a) Salaries, wages and other similar remuneration paid by a Contracting State or a political subdivision or local authority thereof to an individual in respect of services rendered to that Contracting State or political subdivision or local authority, in the discharge of functions of a governmental nature, shall be taxable only in that Contracting State.
- (b) However, such salaries, wages and other similar remuneration shall be taxable only in the other Contracting State if the services are rendered in that other Contracting State and the individual is a resident of that other Contracting State who:
 - (i) is a national of that other Contracting State; or
 - (ii) did not become a resident of that other Contracting State solely for the purpose of rendering the services.

2. (a) Notwithstanding the provisions of paragraph 1 of this Article, pensions and other similar remuneration paid by, or out of funds to which contributions are made or created by, a Contracting State or a political subdivision or local authority thereof to an individual in respect of services rendered to that Contracting State or political subdivision or local authority shall be taxable only in that Contracting State.
 - (b) However, such pensions and other similar remuneration shall be taxable only in the other Contracting State if the individual is a resident of, and a national of, that other Contracting State.
3. The provisions of Articles 15, 16, 17 and 18 of this Convention shall apply to salaries, wages, pensions and other similar remuneration in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or local authority thereof.

Article 20
Teachers and Researchers

Salaries, wages and other similar remuneration paid by a Contracting State or a political subdivision or local authority thereof to an individual who is or was immediately before visiting the other Contracting State a resident of the first-mentioned Contracting State in respect of teaching or conducting research at school or other educational institution in the other Contracting State shall be taxable only in the first-mentioned Contracting State.

Article 21
Students

1. Payments which a student, business apprentice or trainee who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned Contracting State solely for the purpose of his education or training receives for the purpose of his maintenance, education or training shall not be taxed in the first-mentioned Contracting State, provided that such payments arise from sources outside the first-mentioned Contracting State.

2. Notwithstanding the provisions of paragraph 1 of this Article, a student who is present in a Contracting State solely for the purpose of his education and who is a national of the other Contracting State shall not be subjected in the first-mentioned Contracting State to any taxation or any requirement connected therewith, which is more burdensome than the taxation and connected requirements to which a student who is a national of the first-mentioned Contracting State in the same circumstances, in particular with respect to residence, is or may be subjected.

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 (hereinafter referred to as "other income" in this Article) shall be taxable only in that Contracting State.

2. The provisions of paragraph 1 of this Article shall not apply to other income, other than income from immovable property as defined in paragraph 2 of Article 6 of this Convention, if the recipient of such other 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 the other Contracting State independent personal services from a fixed base situated therein, and the right or property in respect of which the other income is paid is effectively connected with such permanent establishment or fixed base. In such case, the provisions of Article 7 or 14 of this Convention, as the case may be, shall apply.

3. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, items of income of a resident of a Contracting State not dealt with in the foregoing Articles of this Convention and arising in the other Contracting State may also be taxed in that other Contracting State.

Article 23
Elimination of Double Taxation

1. Subject to the provisions of the laws of Japan regarding the allowance as a credit against Japanese tax of tax payable in any country other than Japan, where a resident of Japan derives income from the Kingdom of Saudi Arabia which may be taxed in the Kingdom of Saudi Arabia in accordance with the provisions of this Convention, the amount of Saudi tax payable in respect of that income shall be allowed as a credit against the Japanese tax imposed on that resident. The amount of credit, however, shall not exceed that part of the Japanese tax which is appropriate to that income.

2. (a) Where a resident of the Kingdom of Saudi Arabia derives income which, in accordance with the provisions of this Convention, may be taxed in Japan, the Kingdom of Saudi Arabia shall allow as a deduction from the tax on the income of that resident an amount equal to the tax paid in Japan. The amount of such deduction shall not, however, exceed that part of the tax, as computed before the deduction is given, which is attributable to such items of income derived from Japan.

(b) The method of elimination of double taxation will not prejudice the provisions of the Zakat collection regime as regards nationals of the Kingdom of Saudi Arabia.

3. For the purposes of the preceding paragraphs of this Article, income beneficially owned by a resident of a Contracting State which may be taxed in the other Contracting State in accordance with the provisions of this Convention shall be deemed to arise from sources in that other Contracting State.

Article 24
Limitation of Relief

No relief shall be available under this Convention if the main purpose or one of the main purposes of any person concerned with the creation or assignment of any shares, debt-claims or other rights or properties in respect of which income arises was to take advantage of this Convention by means of that creation or assignment.

Article 25
Mutual Agreement Procedure

1. Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those Contracting States, present his case to the competent authority of the Contracting State of which he is a resident. 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 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 the provisions of 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 the 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 may communicate with each other for the purposes of reaching an agreement in the sense of the preceding paragraphs of this Article.

Article 26
Exchange of Information

1. The competent authorities of the Contracting States shall exchange such information as is foreseeably relevant for carrying out the provisions of this Convention or to the administration or enforcement of the domestic law concerning taxes of every kind and description imposed on behalf of the Contracting States, or of their political subdivisions or local authorities, insofar as the taxation thereunder is not contrary to this Convention. The exchange of information is not restricted by Articles 1 and 2 of this Convention.

2. Any information received under paragraph 1 of this Article by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic law of that Contracting State and shall be disclosed only to persons or authorities (including courts and administrative bodies) concerned with the assessment or collection of, the enforcement or prosecution in respect of, the determination of appeals in relation to the taxes referred to in paragraph 1 of this Article, or the oversight of the above. Such persons or authorities shall use the information only for such purposes. They may disclose the information in public court proceedings or in judicial decisions.

3. In no case shall the provisions of paragraphs 1 and 2 of this Article 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.

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

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

Article 27
Members of Diplomatic Missions and Consular Posts

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

Article 28
Articles' Headings

The headings of the Articles of this Convention are inserted for convenience of reference only and shall not affect the interpretation of this Convention.

Article 29
Entry into Force

1. Each of the Contracting States shall send through diplomatic channels to the other the notification confirming that its internal procedures necessary for the entry into force of this Convention have been completed. This Convention shall enter into force on the first day of the second month following the date of receipt of the latter notification.

2. This Convention shall be applicable:

(a) in the case of Japan:

- (i) with respect to taxes withheld at source, for amounts taxable on or after the first day of January in the calendar year next following that in which this Convention enters into force;
- (ii) with respect to taxes on income which are not withheld at source, as regards income for any taxable year beginning on or after the first day of January in the calendar year next following that in which this Convention enters into force; and
- (iii) with respect to other taxes, as regards taxes for any taxable year beginning on or after the first day of January in the calendar year next following that in which this Convention enters into force; and

- (b) in the case of the Kingdom of Saudi Arabia:
 - (i) with regard to taxes withheld at source, in respect of amounts paid on or after the first day of January next following the date upon which this Convention enters into force; and
 - (ii) with regard to other taxes, in respect of taxable years beginning on or after the first day of January next following the date upon which this Convention enters into force.

Article 30
Termination

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

- (a) in the case of Japan:
 - (i) with respect to taxes withheld at source, for amounts taxable on or after the first day of January in the calendar year next following that in which the notice is given;
 - (ii) with respect to taxes on income which are not withheld at source, as regards income for any taxable year beginning on or after the first day of January in the calendar year next following that in which the notice is given; and
 - (iii) with respect to other taxes, as regards taxes for any taxable year beginning on or after the first day of January in the calendar year next following that in which the notice is given; and
- (b) in the case of the Kingdom of Saudi Arabia:
 - (i) with regard to taxes withheld at source, in respect of amounts paid after the end of the calendar year in which such notice is given; and

- (ii) with regard to other taxes, in respect of taxable years beginning after the end of the calendar year in which such notice is given.

IN WITNESS WHEREOF the undersigned, being duly authorised thereto by their respective Governments, have signed this Convention.

DONE in duplicate at Tokyo this fifteenth day of November, 2010, in the Japanese, Arabic and English languages, all texts being equally authentic. In case of divergence of interpretation, the English text shall prevail.

For the Government of Japan:

Seiji Maehara

For the Government of
the Kingdom of Saudi Arabia:

Ibrahim A. Al-Assaf

Protocol

At the signing of the Convention between the Government of Japan and the Government of the Kingdom of Saudi Arabia for the Avoidance of Double Taxation and the Prevention of Tax Evasion with respect to Taxes on Income (hereinafter referred to as "the Convention"), the Government of Japan and the Government of the Kingdom of Saudi Arabia have agreed upon the following provisions, which shall form an integral part of the Convention.

1. For the purposes of the Convention, the term "tax" means Japanese tax or Saudi tax, as the context requires.
2. With reference to subparagraph (d) of paragraph 1 of Article 3 of the Convention, it is understood that the term "person" includes a Contracting State and any political subdivision or local authority thereof.
3. With reference to paragraph 1 of Article 4 of the Convention, it is understood that the term "resident of a Contracting State" includes any person that is:
 - (a) organised under the laws of a Contracting State;
 - (b) established and maintained in that Contracting State exclusively for a religious, charitable, educational, scientific, artistic, cultural or other similar public purposes, or to administer or provide pensions or other similar remuneration; and
 - (c) exempt from tax in that Contracting State.
4. With reference to paragraph 3 of Article 4 of the Convention, where a person other than an individual is a resident of both Contracting States and that person has its place of head or main office situated in a Contracting State and its place of effective management situated in the other Contracting State, then the competent authorities of the Contracting States shall determine by mutual agreement the Contracting State of which that person shall be deemed to be a resident for the purposes of the Convention.
5. With reference to Article 7 of the Convention, it is understood that the term "profits" does not include items of income from performance of personal services by an individual which are dealt with either in Article 14 or 15 of the Convention.

6. With reference to paragraph 1 of Article 7 of the Convention, it is understood that in the case of the profits of an enterprise of a Contracting State from the activities of furnishing of services, including consultancy services, only so much of them will be attributable to a permanent establishment situated in the other Contracting State as results from the actual performance of such activities carried on by that permanent establishment in that other Contracting State.

7. With reference to paragraph 3 of Article 7 of the Convention, it is understood that no deduction shall be allowed in respect of amounts paid or charged (other than reimbursement of actual expenses) by a permanent establishment of an enterprise to the head office of the enterprise or any other offices thereof, by way of:

- (a) royalties, fees or other similar payments in return for the use of patents or other rights;
- (b) commission, for specific services performed or for management; or
- (c) income from debt-claims with regard to money lent to the permanent establishment; except where the enterprise is a banking institution.

8. With reference to Article 8 of the Convention, it is understood that profits from the operation of ships or aircraft in international traffic include:

- (a) profits from the rental on a bareboat basis of ships or aircraft; and
- (b) profits from the use, maintenance or rental of containers, including trailers and related equipment for the transport of containers, used for the transport of goods or merchandise;

where such rental or such use, maintenance or rental, as the case may be, is incidental to the operation of ships or aircraft in international traffic.

9. With reference to Article 8 of the Convention, notwithstanding the provisions of Article 2 of the Convention, where an enterprise of a Contracting State carries on the operation of ships or aircraft in international traffic, that enterprise, if an enterprise of the Kingdom of Saudi Arabia, shall be exempt from the enterprise tax of Japan, and, if an enterprise of Japan, shall be exempt from any tax similar to the enterprise tax of Japan which may hereafter be imposed in the Kingdom of Saudi Arabia.

10. With reference to Article 9 of the Convention, notwithstanding the provisions of paragraph 1 of that Article, a Contracting State shall not change the profits of an enterprise of that Contracting State in the circumstances referred to in that paragraph after seven years from the end of the taxable year in which the profits that would be subjected to such change would, but for the conditions referred to in that paragraph, have accrued to that enterprise. The provisions of this paragraph shall not apply in the case of fraud or wilful default.

11. With reference to subparagraph (a) of paragraph 2 of Article 10 of the Convention, in the case of dividends paid by a company which is a resident of Japan and beneficially owned by a resident of the Kingdom of Saudi Arabia, the provisions of that subparagraph shall apply only if:

- (a) the beneficial owner of the dividends is a company which holds directly or indirectly, during the period of 183 days ending on the date on which entitlement to the dividends is determined, at least 10 per cent of the voting shares of the company paying the dividends; and
- (b) the company paying the dividends is not entitled to a deduction for dividends paid to its beneficiaries in computing its taxable income in Japan.

12. With reference to Article 11 of the Convention, notwithstanding the provisions of paragraph 2 of that Article, income from debt-claims arising in the Kingdom of Saudi Arabia and beneficially owned by a pension fund established under the laws of Japan shall be taxable only in Japan.

13. For the purposes of paragraph 3 of Article 11 of the Convention, the terms "the central bank" and "institution wholly owned by that Government" mean:

- (a) in the case of Japan:
 - (i) the Bank of Japan;
 - (ii) the Japan Finance Corporation;
 - (iii) the Japan International Cooperation Agency;
 - (iv) the Nippon Export and Investment Insurance; and

- (v) such other similar institution the capital of which is wholly owned by the Government of Japan as may be agreed upon from time to time between the Governments of the Contracting States through an exchange of diplomatic notes; and
- (b) in the case of the Kingdom of Saudi Arabia:
- (i) the Saudi Arabia Monetary Agency (SAMA);
 - (ii) the Saudi Fund for Development;
 - (iii) the Public Investment Fund;
 - (iv) the Public Pension Agency;
 - (v) the General Organization for Social Insurance; and
 - (vi) such other similar institution the capital of which is wholly owned by the Government of the Kingdom of Saudi Arabia as may be agreed upon from time to time between the Governments of the Contracting States through an exchange of diplomatic notes.

14. With reference to paragraph 1 of Article 21 of the Convention, the exemption granted to a business apprentice or trainee provided by that paragraph shall apply to that business apprentice or trainee only for a period not exceeding two years from the date on which that business apprentice or trainee begins his training in the Contracting State in which that business apprentice or trainee is present.

15. With reference to Article 26 of the Convention, it is confirmed that the information received under that Article by a Contracting State shall be used only for the purpose of carrying out the provisions of the Convention or of the administration or enforcement of the domestic law concerning taxes covered by paragraph 1 of that Article.

16. With reference to paragraph 5 of Article 26 of the Convention, a Contracting State may decline to supply information relating to confidential communications between attorneys, solicitors or other admitted legal representatives in their role as such and their clients to the extent that the communications are protected from disclosure under the domestic law of that Contracting State.

17. Nothing in the Convention shall prevent a Contracting State from imposing tax, in accordance with its domestic law, on any income or gains arising in that Contracting State and derived by a resident of the other Contracting State pursuant to a sleeping partnership (Tokumei Kumiai) contract or other similar contract.

18. Where the laws or regulations of the Kingdom of Saudi Arabia grant residents of any third country, except countries that are member of the Gulf Cooperation Council and the League of Arab States, national treatment with respect to taxation, such national treatment shall automatically be granted to residents of Japan.

19. The Kingdom of Saudi Arabia shall with respect to its laws and regulations treat nationals or residents of Japan for taxation purposes not less favourable than nationals or residents from any third country except countries that are member of the Gulf Cooperation Council and the League of Arab States.

IN WITNESS WHEREOF the undersigned, being duly authorised thereto by their respective Governments, have signed this Protocol.

DONE in duplicate at Tokyo this fifteenth day of November, 2010, in the Japanese, Arabic and English languages, all texts being equally authentic. In case of divergence of interpretation, the English text shall prevail.

For the Government of Japan:

For the Government of
the Kingdom of Saudi Arabia:

Seiji Maehara

Ibrahim A. Al-Assaf