

Transportation Treaties

1980 Air Transport Agreement

Signatories: Pakistan; Saudi Arabia

Signed: November 18, 1980

In Force: June 21, 1981

Effective: January 1, 1972. See Article 6.

Status: In Force

Tax Analysts Classification: Transportation Treaties

AGREEMENT BETWEEN THE KINGDOM OF SAUDI ARABIA AND THE ISLAMIC REPUBLIC OF PAKISTAN FOR THE AVOIDANCE OF DOUBLE TAXATION OF INCOME OF AIR TRANSPORT ENTERPRISES

The Government of the Kingdom of Saudi Arabia and the Islamic Republic of Pakistan, desiring to conclude an agreement for the avoidance of double taxation by mutual exemption from income tax levied on the income of air transport enterprises from exercise of air transport in international traffic have agreed as follows:

Article 1

1. This Agreement shall apply to taxes on income imposed on behalf of each Contracting State irrespective of the manner in which they are levied.
2. There shall be regarded as taxes on income all taxes imposed on total income, or on elements of income, including taxes on gains from the alienation of movable property and taxes on the total amounts of wages or salaries paid by enterprises.
3. The existing taxes to which the Agreement shall apply are in particular:
 - (a) In the case of Islamic Republic of Pakistan; the income tax, super tax and the surcharge (hereinafter referred to as "Pakistan Tax").
 - (b) In the case of Kingdom of Saudi Arabia; the income-tax, super tax, and the surcharge (hereinafter referred to as "Saudi Tax").
4. This Agreement shall also apply to any identical or substantially similar taxes as are subsequently imposed in addition to, or in place of the existing taxes.

Article 2

Definitions

In this Agreement, unless the context otherwise requires:

- (a) the terms "a Contracting State" and "the other Contracting State" mean, Pakistan or Saudi Arabia, as the context requires;

- (b) the terms "air transport enterprise of a Contracting State" and the "air transport 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;
- (c) the term "exercise of air transport" means the operational activity of transportation by air of persons, animals, goods and mail conducted by an enterprise of a Contracting State including sale of tickets and similar documents used for the purposes of transport;
- (d) the term "international traffic" means any transport by aircraft operated by an enterprise of a Contracting State, except when such transport is made solely between places in the other Contracting State;
- (e) the term "competent authority" means:
 - (i) in the case of the Islamic Republic of Pakistan - the Central Board of Revenue;
 - (ii) in the case of the Kingdom of Saudi Arabia - the Ministry of Finance and National Economy;
- (f) the term "resident of a Contracting State" means any person, who under the law of that State, is liable to taxation therein by reason of his domicile, residence, place of management or any other criterion of a similar nature;
- (g) the term "person" includes an individual, a corporation, a company or any other body of persons.

Article 3
Air Transport

1. Income and profits derived by an enterprise of a Contracting State from the exercise of air transport in international traffic shall be exempt from tax in the other Contracting State.
2. The provision of paragraph 1 shall also apply to income and profits derived by an enterprise of a Contracting State from its participation in a pool or a joint business.
3. For the purposes of this Article profits derived by an enterprise of a Contracting State from the exercise of air transport in international traffic also include income derived from:
 - (a) the rental, lease or maintenance of aircraft;

- (b) training schemes, management and other services rendered by an air transport enterprise of one Contracting State to the air transport enterprise of the other Contracting State.

Article 4
Remuneration For Personal Services

1. Remuneration in respect of an employment exercised on an aircraft operated in international traffic by an enterprise of a Contracting State, shall be taxable only in that State.
2. Remuneration derived by an employee of an air transport enterprise of a contracting state in respect of employment exercised in the other contracting state shall be taxable in that other state if the employee is present in that other State for a period exceeding in aggregate 183 days in any fiscal year.

Provided that the provisions of the above paragraph shall not apply to an employee who is a national of the first mentioned Contracting State and who was not a resident of the other Contracting State on the date of employment, in which case such employee shall not be taxable in that other State.

Article 5
Mutual Agreement Procedure

The competent authorities of the Contracting States shall endeavour to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Agreement.

Article 6
Entry Into Force

1. This Agreement shall be ratified and the instruments of ratification shall be exchanged in due course of time.
2. The Agreement shall enter into force upon the exchange of instruments of ratification and its provisions shall have effect:
 - (a) In the Islamic Republic of Pakistan, in any income arising on or after 1st of July 1972, except the provisions of paragraph 2 of Article 4 which shall be effective from the first day of July of the year preceding the year in which this Agreement is ratified.
 - (b) In the Kingdom of Saudi Arabia, on any income arising on or after, 1st of Muharram, 1393 AH.

Article 7
Termination

This Agreement shall remain in force indefinitely but terminated by either Contracting State by given notice of termination at least six months before the end of any calendar year, in which case, this Agreement shall cease to have effect from the end of the calendar year in which the notice of termination is given.

In witness whereof the undersigned duly authorised thereto, have signed this Agreement and have affixed thereto their seal.

Done at Riyadh on 10-1-1401 corresponding to 18-11-1980 in the English and Arabic languages, both the texts being equally authentic.

FOR THE GOVERNMENT OF PAKISTAN
Najmul Saqib Khan
Ambassador of Pakistan

FOR THE GOVERNMENT OF SAUDI ARABIA
Saud Al-Faisal
Minister of Foreign Affairs

FBR, Government of Pakistan