

IN THE NAME OF ALLAH

AGREEMENT

**BETWEEN
THE GOVERNMENT OF
THE ISLAMIC REPUBLIC OF IRAN**

AND

**THE GOVERNMENT OF
THE SULTANATE OF OMAN**

**FOR THE AVOIDANCE OF
DOUBLE TAXATION WITH RESPECT TO
TAXES ON INCOME AND ON CAPITAL**

**The Government of the Islamic Republic of Iran
and
the Government of the Sultanate of Oman,**

Desiring to conclude an Agreement for the avoidance of double taxation with respect to taxes on income and on capital,

Have agreed as follows:

**Article 1
PERSONS COVERED**

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

**Article 2
TAXES COVERED**

1. This Agreement shall apply to taxes on income and on capital imposed on behalf of a Contracting State, 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, 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. The existing taxes to which the Agreement shall apply are in particular:

a) in the case of the Islamic Republic of Iran:

(i) the income tax, and

(ii) the property tax;

b) in the case of the Sultanate of Oman:

(i) the company income tax imposed under Royal Decree No. 47/1981 as amended; and

(ii) the profit tax on establishments imposed under Royal Decree No. 77/1989 as amended.

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

Article 3 GENERAL DEFINITIONS

1. For the purposes of this Agreement, unless the context otherwise requires:
 - a) the term “territory” with regard to either Contracting State, refers to the territory of the Islamic Republic of Iran and the Sultanate of Oman, as the case may be;
 - b) the terms “a Contracting State” and “the other Contracting State” mean the Islamic Republic of Iran or the Sultanate of Oman as the context requires;
 - c) the term “person” includes:
 - (i) an individual,
 - (ii) a company or any other body of persons, and
 - (iii) any entity, other than those referred to in sub-paragraphs (i) and (ii), which is treated as a taxable unit under the taxation laws in force in the respective Contracting State;
 - d) the term “company” means any body corporate or any entity, which is treated as a body corporate for tax purposes;
 - e) 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;
 - f) the term “international traffic” means any transport by a ship, launch, aircraft or road vehicle operated by an enterprise of a Contracting State, except when the ship, launch, aircraft or road vehicle is operated solely between the places situated in the other Contracting State;
 - g) the term “competent authority” means:

- (i) in the case of the Islamic Republic of Iran, the Minister of Economic Affairs and Finance or his authorised representative;
- (ii) in the case of the Sultanate of Oman, the Minister of National Economy and Supervisor of the Ministry of Finance or his authorised representative;

2. As regards the application of the Agreement at any time by a Contracting State, any term not defined therein shall, unless the context otherwise requires, have the meaning which it has at that time under the laws of that State concerning the taxes to which the Agreement applies.

Article 4 RESIDENT

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

2. Where by reason of the provisions of paragraph 1 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 State in which he has a permanent home available to him. If he has a permanent home available to him in both States, he shall be deemed to be a resident only of the 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 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 State of which he is a national;

- d) if he is a national of neither of the States, or if he may not be deemed a resident of one of the Contracting States under the previous sub-paragraphs in that sequence, then the competent authorities of the Contracting States shall settle the question by mutual agreement.
3. Where by reason of the provisions of paragraph 1 a person other than an individual is a resident of both Contracting 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 purposes of this Agreement, the term “permanent establishment” means a fixed place of business through which the business of an enterprise is wholly or partly carried on.
2. The term "permanent establishment" includes especially:
- a) a place of management;
 - b) a branch;
 - c) an office;
 - d) a factory;
 - e) a workshop; and
 - f) a mine, an oil or gas well, a quarry or any other place of exploration, exploitation or extraction of natural resources.
3. A building site, or construction or assembly or installation project or supervisory activities in connection therewith, constitutes a permanent establishment but only if such site, project or activities continue for a period of more than twelve (12) months.
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 or display 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 or display;

- 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 advertising, or scientific research, for that enterprise, or carrying on any other activity of a preparatory or auxiliary character;
- f) the maintenance of a fixed place of business solely for any combination of activities mentioned in sub-paragraphs a) to e), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

5. Notwithstanding the provisions of paragraphs 1 and 2, where a person (other than an agent of independent status to whom paragraph 6 applies) is acting in a Contracting State 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 State in respect of any activities which that person undertakes for the enterprise unless the activities of such a person are limited to those mentioned in paragraph 4 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.

Where such a person has no such authority to conclude contracts in the name of that enterprise, but habitually maintains in the first-mentioned State a stock of goods or merchandise from which he delivers goods or merchandise on behalf of that enterprise, that enterprise shall be deemed to have a permanent establishment in the first-mentioned State.

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

However, when the activities of such an agent are devoted wholly or almost wholly on behalf of that enterprise, he shall not be considered an agent of an independent status if the transactions between the agent and the enterprise were not made under arm's length conditions.

7. 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 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 (including the breeding and cultivation of fish) 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 including oil, gas and quarries. Ships, launches and aircraft or road vehicle shall not be regarded as immovable property.

3. The provisions of paragraph 1 shall apply to income derived from the direct use, letting, or use in any other form of immovable property.

4. The provisions of paragraphs 1 and 3 shall also apply to the income from immovable property of an enterprise and to the 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. Subject to the laws and regulations of a Contracting State, in determining the profits of a permanent establishment, there shall be allowed as deductions expenses which are incurred for the purpose of the business activities of the permanent establishment including a reasonable allocation of executive and general administrative expenses, whether incurred in the Contracting State in which the permanent establishment is situated or elsewhere.

4. Insofar as it has been customary in a Contracting State to determine the profits to be attributed to a permanent establishment on the basis of an apportionment of the total profits of the enterprise to its various parts, nothing in paragraph 2 shall preclude that Contracting State from determining the profits to be taxed by such an apportionment as may be customary. The method of apportionment adopted shall, however, be such that the result shall be in accordance with the principles embodied in this Article.

5. No profits shall be attributed to a permanent establishment by reason of the mere purchase by that permanent establishment of goods or merchandise for the enterprise.

6. For the purposes of the preceding paragraphs, the profits to be attributed to the permanent establishment shall be determined by the same method year by year unless there is good and sufficient reason to the contrary.

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

Article 8 **INTERNATIONAL TRAFFIC**

1. Profits derived by an enterprise of a Contracting State from the operation of ships, launches, aircraft or road vehicles in international traffic shall be taxable only in that Contracting State.

2. For the purposes of this Article, profits from the operation of ships, launches, aircraft or road vehicles in international traffic include:

- a) profits from the rental on a bareboat basis of ships, launches, aircraft or road vehicles; 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, launches, aircraft or road vehicles in international traffic.

3. For the purposes of this Article, interest on funds directly connected with the operation of ships, launches, aircraft or road vehicles in international traffic shall be regarded as income or profits derived from the operation of such ships, launches, aircraft or road vehicles, and the provisions of Article 11 shall not apply in relation to such interest.

4. The term “operation of ships, launches, aircraft or road vehicles” means business of transportation by sea, by air or by road of passengers, mail, livestock or goods carried on by the owners, lessees or charters of ships, launches, aircraft or road vehicles including the sale of tickets for such transportation on behalf of other enterprises, the incidental lease of ships, launches, aircraft or road vehicles and any other activity directly connected with such transportation.

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 paragraph 1, 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 tax in that other Contracting 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 Contracting State may make an appropriate adjustment to the amount of the tax charged therein on those profits. In determining such adjustment, due regard shall be had to the other provisions of this Agreement and the competent authorities of the Contracting States may, 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 State, but if the beneficial owner of the dividends is a resident of the other Contracting State, the tax so charged shall not exceed ten (10) percent of the gross amount of the dividends.

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, "Jouissance" shares, or "Jouissance" rights, founders' shares or other rights, not being debt-claims, participating in profits, as well as income from other corporate rights which is subjected to the same taxation treatment as income from shares by the laws of the State of which the company making the distribution is a resident.

4. Notwithstanding the provisions of paragraph 2, dividends paid by a company being a resident of the Sultanate of Oman to the Islamic Republic of Iran including: Governmental institutions, Governmental companies, Central Bank or other banks wholly owned by the Government of the Islamic Republic of Iran, shall be exempt from tax in the Sultanate of Oman.

5. Notwithstanding the provisions of paragraph 2, dividends paid by a company being a resident of the Islamic Republic of Iran to the Government of the Sultanate of Oman shall be exempt from tax in the Islamic Republic of Iran. For the purposes of this Article, the term “Government” shall include:

- i) the Central Bank of Oman;
- ii) the State General Reserve Fund;
- iii) the Omani Development bank; and
- iv) any other statutory body or institution wholly or mainly owned by the Government of the Sultanate of Oman.

6. The provisions of paragraphs 1 and 2 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 Article 14, as the case may be, shall apply.

7. 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 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 INTEREST

1. Interest 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 interest may also be taxed in the Contracting State in which it arises and according to the laws of that State, but if the beneficial owner of the interest is a resident of the other Contracting State, the tax so charged shall not exceed ten (10) percent of the gross amount of the interest.

3. The term "interest" 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 interest for the purpose of this Article.

4. Notwithstanding the provisions of paragraph 2, interest arising in the Sultanate of Oman and paid to the Islamic Republic of Iran, including: Ministries, other Governmental institutions, Non-Governmental Public Foundations, Foundations of the Islamic Revolution, municipalities, Central Bank and other banks wholly owned by the Government of the Islamic Republic of Iran, shall be exempt from tax in the Sultanate of Oman.

5. Notwithstanding the provisions of paragraph 2, interest arising in the Islamic Republic of Iran and paid to the Government of the Sultanate of Oman shall be exempt from tax in the Islamic Republic of Iran. For the purposes of this Article, the term "Government" shall include:

- i) the Central Bank of Oman;
- ii) the State General Reserve Fund;
- iii) the Omani Development bank; and
- iv) any other statutory body or institution wholly or mainly owned by the Government of the Sultanate of Oman.

6. The provisions of paragraphs 1 and 2 shall not apply if the beneficial owner of the interest, being a resident of a Contracting State, carries on business in the other Contracting State in which the interest 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 interest 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.

7. Interest shall be deemed to arise in a Contracting State when the payer is that State itself, a local authority or a resident of that State. Where, however, the person paying the interest, 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 interest is paid was incurred, and such interest is borne by such a permanent establishment or fixed base, then such interest shall be deemed to arise in the Contracting State in which the permanent establishment or fixed base is situated.

8. 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 interest, 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 of interest. 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 Agreement.

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 State, but if beneficial owner of the royalties is a resident of the other Contracting State, the tax so charged shall not exceed ten (10) percent of the gross amount of the royalties.

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 computer software, cinematograph films, or films, or tapes or discs used for radio and television, any patent, trade mark, design or model, plan, secret formula or process, or for information concerning industrial, commercial or scientific experience or for the use of, or the right to use, industrial, commercial or scientific equipment.

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 Contracting State independent personal services from a fixed base, 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 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 right or property giving rise to the royalties is effectively connected, 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 paid, 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 of royalties. 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 Agreement.

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 and situated in the other Contracting State may be taxed in that other Contracting State.

2. Gains from the alienation of movable 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 movable 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 fixed base, may be taxed in that other Contracting State.

3. Gains derived by an enterprise of a Contracting State from the alienation of ships, launches, aircraft or road vehicles operated in international traffic or movable property pertaining to the operation of such ships, launches, aircraft or road vehicles shall be taxable only in that Contracting State.

4. Gains from the alienation of any property other than that referred to in paragraphs 1, 2 and 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 unless he has a fixed base regularly available to him in the other Contracting State for the purpose of performing his activities. If he has such a fixed base, the income may be taxed in the other Contracting State but only so much of it as is attributable to that fixed base.

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

Article 15
DEPENDENT PERSONAL SERVICES

1. Subject to the provisions of Articles 16, 18, 19 and 20 of this Agreement, 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 Contracting 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 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 fiscal year concerned; and
- 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 the other State.

3. Notwithstanding the preceding provisions of this Article, remuneration paid by an enterprise of a Contracting State in respect of an employment exercised aboard a ship, launch, aircraft or road vehicle operated in international traffic, may be taxed only 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 or

similar body of a company which is a resident of the other Contracting State may be taxed in that other Contracting State.

Article 17
ARTISTES 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 theater, motion picture, radio or television artiste, 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 Contracting 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.

3. The provisions of paragraphs 1 and 2 shall not apply to the income derived by an entertainer or a sportsman from the activities performed within the framework of the cultural agreement concluded between the Contracting States.

Article 18
PENSIONS

Subject to the provisions of paragraph 2 of Article 19, pensions and other similar remuneration paid to a resident of a Contracting State in consideration of past employment shall be taxed only in that Contracting State.

Article 19
GOVERNMENT SERVICE

1.
 - a) Salaries, wages and other similar remuneration paid by a Contracting State or a local authority or a statutory body thereof to an individual in respect of services rendered to that State or authority or body 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 State by an individual who is a resident of that State, and:
 - (i) is a national of that other State, or

- (ii) did not become a resident of that State solely for the purpose of rendering the services.
- 2.
- a) Any pension paid by, or out of funds created by, a Contracting State or a local authority or statutory body thereof to an individual in respect of services rendered to that State or authority or body shall be taxable only in that Contracting State.
 - b) However, such pension shall be taxable only in the other Contracting State if the individual is a resident of, and a national of, that State.
3. The provisions of Articles 15, 16 and 18 shall apply to salaries, wages and other remuneration and to pensions in respect of services rendered in connection with a business carried on by a Contracting State or a local authority or statutory body thereof.

Article 20
TEACHERS, STUDENTS AND RESEARCHERS

1. Payments, which a student or business apprentice who is a national of a Contracting State and who is present in the other 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 that other Contracting State, provided that such payments arise from sources outside that other State.
2. Likewise, remuneration received by a teacher or by an instructor, who is a national of a Contracting State and who is present in the other Contracting State for the purpose of teaching or engaging in scientific research, shall be exempted from tax in that other Contracting State, provided that such payments arise from sources outside that other State.

This paragraph shall not apply to remuneration and income from research if such research is undertaken for persons and enterprises with business purposes.

Article 21
OTHER INCOME

1. Items of income of a resident of a Contracting State, wherever arising, not dealt with in the forgoing Articles of this Agreement shall be taxable only in that Contracting 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 independent personal services from a fixed base situated therein, and the right or property in respect of which the income is derived is effectively connected with such a permanent establishment or fixed base. In such case, the provisions of Article 7 or Article 14, as the case may be, shall apply.

Article 22
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 Contracting State.
2. Capital represented by movable 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 by movable 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 may be taxed in that other Contracting State.
3. Capital represented by ships, launches, aircraft or road vehicles operated in international traffic and by movable property pertaining to the operation of such ships, launches, aircraft or road vehicles 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 23
METHOD FOR THE ELIMINATION OF
DOUBLE TAXATION

1. Where a resident of a Contracting State derives income or owns capital which, in accordance with the provisions of this Agreement, may be taxed in the other Contracting State, the first-mentioned State shall allow:
 - a) as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in that other Contracting State, and
 - b) as a deduction from the tax on the capital of that resident, an amount equal to the capital tax paid in that other Contracting State.

Such deduction in either case shall not, however, exceed that part of the tax as computed before the deduction is given, which is attributable, as the case may be, to the income or the capital.

2. Where in accordance with any provision of the Agreement income derived or capital owned by a resident of a Contracting State is exempted from tax in that State, such State may notwithstanding the exemption, in calculating the amount of tax on the remaining income or capital of such resident, take into account the exempted income or capital .

3. The tax payable in a Contracting State mentioned in paragraphs 1 and 2 of this Article shall be deemed to include the tax which would have been payable but for the tax incentives granted under the laws of that Contracting State and which are designed to promote economic development.

4. For the purposes of this Article, the term “tax” shall not include any amount which is payable in respect of any default or omission in relation to the taxes to which this Agreement applies, or which represents a penalty imposed relating to those taxes.

Article 24 NON-DISCRIMINATION

1. Nationals of a Contracting State shall not be subjected in the other Contracting State to any taxation or any requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which nationals of that other Contracting State in the same circumstances are or may be subjected. This provision shall, notwithstanding the provisions of Article 1, also apply to persons who are not residents of one or both of the Contracting States.

2. The taxation on a permanent establishment, which an enterprise of a Contracting State has in the other Contracting State, shall not be less favorably levied than the taxation levied on enterprises of a third State other than the Kingdom of Bahrain, the State of Qatar, the State of Kuwait, the Kingdom of Saudi Arabia and United Arab Emirates carrying on the same activities.

3. Enterprises of a Contracting State, the capital of which is wholly or partly owned or controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned State to any taxation or any requirement connected therewith which is other or more

burdensome than the taxation and connected requirements to which other similar enterprises of the first-mentioned State are or may be subjected.

4. Except where the provisions of paragraph 1 of Article 9, paragraph 8 of Article 11, or paragraph 6 of Article 12 apply, interest, royalties and other disbursements paid by an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable profits of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State. Similarly, any debts of an enterprise of a Contracting State to a resident of the other Contracting State shall, for the purpose of determining the taxable capital of such enterprise, be deductible under the same conditions as if they had been paid to a resident of the first-mentioned State.

5. These provisions shall not be construed as obliging a Contracting State to grant to residents of the other Contracting State any personal allowances, reliefs and reductions for taxation purposes on account of civil status or family responsibilities which it grants to its own residents.

Article 25 **MUTUAL AGREEMENT PROCEDURE**

1. Where a resident of a Contracting State considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with this Agreement, he may, irrespective of the remedies provided by the domestic law of those States, present his case to the competent authority of the Contracting State of which he is a resident or, if his case comes under paragraph 1 of Article 24 to that of the Contracting State of which he is a national. 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 the Agreement.

2. The competent authority shall endeavor, 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 Agreement. 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 endeavor to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Agreement. They may also consult together for the elimination of double taxation in cases not provided for in the Agreement.

4. The competent authorities of the Contracting States may communicate with each other directly for the purpose of reaching an agreement in the sense of the preceding paragraphs. The competent authorities, through consultations, may develop bilateral appropriate procedures, conditions, methods and techniques for the implementation of the mutual agreement procedure provided for in this Article.

Article 26
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 Agreement or of the domestic laws concerning taxes covered by the Agreement insofar as the taxation thereunder is not contrary to the Agreement. The exchange of information is not restricted by Article 1. Any information received by a Contracting State shall be treated as secret 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 the Agreement. 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 the 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 (ordre public).

Article 27
**MEMBERS OF DIPLOMATIC MISSIONS AND
CONSULAR POSTS**

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

Article 28
ENTRY INTO FORCE

1. This Agreement shall be ratified in either of Contracting State in accordance with their laws and regulations, and the instruments of ratification shall be exchanged as soon as possible.

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 Iran: in respect of taxes on income arising, or capital owned, in any fiscal year beginning on or after the 1st day of Farvardin (in the Sultanate of Oman equal to March 21st) next following the calendar year in which the Agreement enters into force;
- b) in the Sultanate of Oman:
 - (i) in respect of taxes withheld at source: for amounts paid or credited on or after the first day of January (in the Islamic Republic of Iran equal to Day 11th) next following the date on which the Agreement enters into force, and
 - (ii) in respect of other taxes: for any taxable year commencing on or after the first day of January (in the Islamic Republic of Iran equal to Day 11th) next following the date on which the Agreement enters into force.

Article 29
TERMINATION

This Agreement shall remain in force until it is terminated by a Contracting State. Either Contracting State may terminate the Agreement, through diplomatic channels, by giving notice of termination at least six months before the end of any calendar year following the period of five years from the date on which the Agreement enters into force. In such event, the Agreement shall cease to have effect:

- a) in the Islamic Republic of Iran: in respect of taxes on income arising, or capital owned, in any fiscal year beginning on or after the 1st day of Farvardin (in the Sultanate of Oman equal to March 21st) next following the calendar year in which the notice is given;
- b) in the Sultanate of Oman:

- (i) in respect of taxes withheld at source: for amount paid or credited on or after the first day of January (in the Islamic Republic of Iran equal to Day 11th) in the calendar year immediately following that in which the notice of such termination is given, and
- (ii) in respect of other taxes: for any tax year commencing on or after the first day of January (in the Islamic Republic of Iran equal to Day 11th) in the calendar year immediately following that in which the notice of such termination is given.

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

Done in Muscat on the 15th day of Mehr 1383 solar Hijra corresponding to 21/08/1425 AH, (06/10/2004) in two identical originals each in the Persian, Arabic and English languages, all texts being equally authoritative. In case of divergence in interpretation between the Persian and Arabic texts, the English text shall prevail.

**For the Government of
the Islamic Republic of Iran**

**For the Government of
the Sultanate of Oman**