

**Saudi Arabia - Sri Lanka
Transport Tax Treaty
(1996)**

Status: In Force

Conclusion Date: 16 December 1996.

Entry into Force: In force (date unknown).

Effective Date: 1 January 1983 (see [Article 6](#)).

**AGREEMENT BETWEEN
THE GOVERNMENT OF THE DEMOCRATIC
SOCIALIST REPUBLIC OF SRI LANKA AND
THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA
FOR THE AVOIDANCE OF DOUBLE TAXATION
BY RECIPROCAL EXEMPTION OF TAXES ON INCOME
ON THE ACTIVITIES OF AIR TRANSPORT ENTERPRISES OF
THE TWO COUNTRIES**

Article 1

Taxes covered

1. This Agreement shall apply to all 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, more fully described in paragraph 3 below and in Article 4.
3. The existing taxes to which the Agreement shall apply are in particular:
 - (a) in the case of the Democratic Socialist Republic of Sri Lanka:
 - the income tax including any surcharge thereon (hereinafter referred to as "Sri Lanka tax");
 - (b) in the case of the Kingdom of Saudi Arabia:
 - the income tax (hereinafter referred to as "Saudi tax").
4. This Agreement shall also apply to any identical or substantially similar taxes which are subsequently imposed in addition to, or in place of, the existing taxes.

Article 2

Definitions

1. In this Agreement, unless the context otherwise requires:
 - (a) the term "a Contracting State" and "the other Contracting State" mean the Democratic Socialist Republic of Sri Lanka or the Kingdom of Saudi Arabia, as the context requires;
 - (b) the term "air transport enterprise of a Contracting State" means:
 - (i) in the case of Sri Lanka, Air Lanka Ltd. or its successor;
 - (ii) in the case of Saudi Arabia, Saudi Arabian Airlines Corporation, or its successor;
 - (c) the term "exercise of air transport" means the operational activity of transportation by air of passengers, livestock, goods and mail conducted by an enterprise of a Contracting State, including sale of tickets and similar documents used for the purpose of transport;
 - (d) the term "international traffic" means any transport by aircraft, owned, leased or chartered, and 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 Democratic Socialist Republic of Sri Lanka, the Commissioner General of Inland 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;
- (h) the term "other payments" means social security insurance, old age annuity or pension, sickness or medical insurance, unemployment insurance or any other similar payments as provided for by the law of the Contracting party.

2. In the application of the provisions of this Agreement by a Contracting State, any term not otherwise defined shall, unless the context otherwise requires, have the meaning which it has under the laws of that Contracting State relating to the taxes to which this Agreement applies.

Article 3

Avoidance of double taxation

1. Income and profits derived by an air transport enterprise of a Contracting State from the exercise of air transport in international traffic shall be exempt from all taxes in the other Contracting State.
2. The provisions of paragraph 1 shall also apply to income and profits derived by an air transport enterprise of a Contracting State from its participation in a pool or a joint business.
3. For the purposes of this Article, income and profits derived by an air transport enterprise of a Contracting State from the exercise of air transport in international traffic also include income derived from:
 - (a) the incidental lease or rental, or incidental maintenance of aircraft and ground equipment rendered to the air transport enterprise of the other Contracting State;
 - (b) training schemes, management and other services rendered by [the] air transport enterprise of one Contracting State to the air transport enterprise of the other Contracting State;
 - (c) interest or similar earnings on funds directly connected with the exercise of air transport in international traffic.

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. The two Contracting States undertake to extend exemption of all taxes and other payments levied or to be levied on salaries, wages, allowances and perquisites, wherever received, by an employee belonging to the air transport enterprise of either Contracting State provided that he is a citizen of the other Contracting 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. Consultation may be requested at any time by either Contracting State for the purpose of amendment to the present Agreement or for its application or its interpretation. Such consultation shall begin within 60 days from the date of receipt of any such request and decisions shall be by mutual consent.

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 on or after the first day of January, 1983.

Article 7
Termination

This Agreement shall remain in force indefinitely unless terminated by either Contracting State by giving 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 by the respective governments, have signed this Agreement.

Done in two originals at Colombo this sixteenth day of December, 1996 in the Sinhala, Arabic and English languages, all texts being equally authentic. In case of divergence of interpretation, the English text shall prevail.

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