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STATUTORY INSTRUMENTS

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**1994 No. 767**

**INCOME TAX**

**The Double Taxation Relief (Air  
Transport) (Saudi Arabia) Order 1994**

*Made - - - - 15th March 1994*

At the Court at Buckingham Palace, the 15th day of March 1994

Present,

The Queen's Most Excellent Majesty in Council

Whereas a draft of this Order was laid before the House of Commons in accordance with the provisions of section 788(10) of the Income and Corporation Taxes Act 1988(1), and an Address has been presented to Her Majesty by that House praying that an Order may be made in the terms of that draft:

Now, therefore, Her Majesty, in exercise of the powers conferred upon Her by section 788 of the said Act, and of all other powers enabling Her in that behalf, is pleased, by and with the advice of Her Privy Council, to order, and it is hereby ordered, as follows:—

1. This Order may be cited as the Double Taxation Relief (Air Transport) (Saudi Arabia) Order 1994.
2. It is hereby declared—
  - (a) that the arrangements specified in the Agreement set out in the Schedule to this Order have been made with the Government of the Kingdom of Saudi Arabia with a view to affording relief from double taxation in relation to income tax, corporation tax or capital gains tax and taxes of a similar character imposed by the laws of Saudi Arabia;
  - (b) that it is expedient that those arrangements should have effect.

*N. H. Nicholls*  
Clerk of the Privy Council

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## SCHEDULE

### AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA FOR THE AVOIDANCE ON A RECIPROCAL BASIS OF DOUBLE TAXATION ON REVENUES ARISING FROM THE BUSINESS OF INTERNATIONAL AIR TRANSPORT AND ON THE REMUNERATION OF EMPLOYEES OF ENTERPRISES ENGAGED IN SUCH BUSINESS

The Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Kingdom of Saudi Arabia;

Desiring to conclude an Agreement for the avoidance on a reciprocal basis of double taxation on revenues arising from the business of international air transport and on the remuneration of employees of enterprises engaged in such business;

Have agreed as follows:

#### ARTICLE 1

- (1) The taxes which are the subject of this Agreement are:
  - (a) in the United Kingdom of Great Britain and Northern Ireland:
    - (i) the income tax;
    - (ii) the corporation tax;
    - (iii) the capital gains tax;(hereinafter referred to as “United Kingdom tax”);
  - (b) in the Kingdom of Saudi Arabia: the income tax;(hereinafter referred to as “Saudi Arabian tax”).
- (2) This Agreement shall also apply to any identical or substantially similar taxes which are imposed by either Contracting State after the date of signature of this Agreement in addition to, or in place of, the taxes referred to in paragraph (1) of this Article. The competent authorities of the Contracting States shall notify each other of any substantial changes which are made in their respective taxation laws.

#### ARTICLE 2

- (1) In this Agreement, unless the context otherwise requires:
  - (a) the terms “a Contracting State” and “the other Contracting State” mean the United Kingdom of Great Britain and Northern Ireland or the Kingdom of Saudi Arabia as the context requires;
  - (b) the term “tax” means United Kingdom tax or Saudi Arabian tax as the context requires;
  - (c) the term “enterprise of a Contracting State” means an enterprise which has its place of effective management in a Contracting State and which is designated by the Air Services Agreement signed on 20th January 1975 between the United Kingdom of Great Britain and Northern Ireland and the Kingdom of Saudi Arabia or authorised by any similar general or special agreement or arrangement between the Contracting States to operate scheduled or non-scheduled air services between or beyond the Contracting States;
  - (d) the term “international traffic” means any transport by an aircraft owned, leased or chartered and operated by an enterprise of a Contracting State except when the aircraft is operated solely between places in the other Contracting State;

- (e) the term “competent authority” means:
- (i) in the case of the United Kingdom, the Commissioners of Inland Revenue or their authorised representative; and
  - (ii) in the case of Saudi Arabia, the Ministry of Finance and National Economy.

(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 which are the subject of this Agreement.

#### ARTICLE 3

(1) Income and profits derived from the operation of aircraft in international traffic by an enterprise of a Contracting State shall not be taxed in the other Contracting State.

(2) The provisions of paragraph (1) of this Article shall also apply to the share of income and profits from the operation of aircraft in international traffic derived by an enterprise of a Contracting State through participation in a pool or a joint business.

(3) For the purposes of this Article the term operation of aircraft shall include:

- (a) the transportation by air of persons, baggage, livestock, goods or mail carried on by the owners or lessees or charterers of aircraft including the sale of tickets or similar documentation for such transportation; and
- (b) the maintenance of aircraft; and
- (c) the rental or incidental lease of aircraft on a charter basis; and
- (d) the provision of training schemes and management services directly connected with such transportation.

Interest on funds directly connected with the operation of aircraft in international traffic shall be regarded as income from the operation of such aircraft.

(4) Gains derived by an enterprise of a Contracting State from the alienation of aircraft owned and operated by the enterprise, the income from which is taxable only in that State, and gains from the alienation of movable property used by the enterprise in the operation of such aircraft shall not be taxed in the other Contracting State.

#### ARTICLE 4

An individual who is a national of a Contracting State and an employee of an enterprise of that Contracting State as defined in Article 2(1)(c) of this Agreement and who derives remuneration in respect of duties performed for that enterprise in the other Contracting State shall be exempt from tax in that other State on remuneration derived from his employment with that enterprise for a period of four years beginning with the date on which he first performs duties in that other State.

#### ARTICLE 5

The competent authorities of the Contracting States shall through consultation endeavour to resolve by mutual agreement any difficulties or doubts regarding the interpretation or application of this Agreement.

#### ARTICLE 6

Each Contracting State shall notify the other through the diplomatic channel of the completion of the relevant procedures required by its law to bring this Agreement into force. The Agreement shall enter into force on the date of the later of these notifications and shall thereupon have effect as

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regards income derived from the operation of aircraft in international traffic arising on or after 1st January 1989.

*ARTICLE 7*

This Agreement shall remain in force indefinitely but either Contracting State may terminate it by giving notice of termination, through the diplomatic channel, at least six months before the end of any calendar year. In such event this Agreement shall cease to have effect from 1st January of the calendar year next following that in which the notice is given.

In witness whereof the undersigned, being duly authorised thereto by their respective governments, have signed this Agreement.

Done in duplicate at Riyadh this 10th day of March 1993 A.D., corresponding to the day 17 of Ramadan 1413 A.H., in the English and Arabic languages, both texts being equally authoritative.

For the Government of the United Kingdom of Great Britain and Northern Ireland:

*ALAN MUNRO*

For the Government of the Kingdom of Saudi Arabia:

*MOHAMMED ALI ABALKHAIL*

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**EXPLANATORY NOTE**

*(This note is not part of the Order)*

Under the Agreement with Saudi Arabia scheduled to this Order, income and profits derived from the operation of aircraft in international traffic by a designated enterprise of either the United Kingdom or Saudi Arabia will not be taxed in the other State. This also applies to income and profits derived

from participation in a pool or joint business and to gains derived from the alienation of aircraft or moveable property.

Remuneration derived by a national of one state from his employment with a designated air transport undertaking of that state will be exempt from tax in the other state for a period of four years from the date on which he first performs duties in the other State.

The Agreement enters into force on the date of the later of the notifications by each country of the completion of its legislative procedures. It will then apply to income arising on or after 1st January 1989. The date of entry into force will in due course be published in the *London, Edinburgh and Belfast Gazettes*.