

MEMORANDUM OF UNDERSTANDING

MEMORANDUM OF UNDERSTANDING FOLLOWING THE DOUBLE TAXATION
TREATY AGREEMENT BETWEEN THE GOVERNMENT OF THE KINGDOM OF
SAUDI ARABIA AND THE GOVERNMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC
OF SRI LANKA TO PROVIDE FOR RECIPROCAL EXEMPTION OF CUSTOMS DUTY.

Initialled on behalf of
the Government of the
Democratic Socialist
Republic of Sri Lanka

Initialled on behalf of
the Government of the
Kingdom of Saudi Arabia

MEMORANDUM OF UNDERSTANDING TO PROVIDE FOR
RECIPROCAL EXEMPTION OF CUSTOMS DUTY BETWEEN THE
GOVERNMENT OF THE DEMOCRATIC SOCIALIST REPUBLIC OF SRI
LANKA AND THE GOVERNMENT OF THE KINGDOM OF SAUDI
ARABIA

The Government of the Kingdom of Saudi Arabia and the Government of the Democratic Socialist Republic of Sri Lanka desiring to strengthen the existing close relationship between the two countries on air transport and having regard to the air-transport agreement between the Government of the Kingdom of Saudi Arabia and the Government of the Democratic Socialist Republic of Sri Lanka, signed in Jeddah on 8th June, 1984:-

Having held discussion in a friendly and cordial atmosphere in **Riyadh** on **11th April, 1994**, follow-up of the first meeting held in Colombo in May 1991, between a delegation of the Kingdom of Saudi Arabia and a delegation of the Democratic Socialist Republic of Sri Lanka to negotiate an Agreement between the parties for the reciprocal exemption with respect to taxes on the use of air-transport enterprises of the two countries.

Having studied the possibility of bilateral co-operation between the Government of the Kingdom of Saudi Arabia and the Government of the Democratic Socialist Republic of Sri Lanka.

Having agreed on the need for further co-operation in areas of Customs Duty exemption on cargo and other material related to the operation of airline business between the two parties,

Have reached the following Agreement:-

ARTICLE I

Scope of the Memorandum

This Memorandum of Understanding shall cause to be exempt from Customs Duties leviable on each party to this Memorandum of Understanding in respect of equipment and other materials used in the operation of airline business, specified in the Schedule hereto.

The two parties agree to undertake periodic review of the list of items contained in such Schedule and to incorporate modifications by mutual consent as and when necessary through an Exchange of Notes.

ARTICLE II

Definitions

In this Memorandum of Understanding, unless the context otherwise requires:

- (a) the term "party" and "the other party" mean the Kingdom of Saudi Arabia or the Democratic Socialist Republic of Sri Lanka, as the context requires.
- (b) the term "Airline Business of the party" means:
 - (i) in the case of the Kingdom of Saudi Arabia, Saudi Arabian Airline Corporation, or its successor;
 - (ii) in the case of the Democratic Socialist Republic of Sri Lanka, Air-Lanka Limited or its successor;
- (c) the term "operation of airline business" means the operational activity of transportation by air of passengers, livestock, goods and mail conducted by an enterprise of a party, 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 either party, except when such transport is made solely between places within the territory of such party.
- (e) the term "equipment and other material related to the operation of an airline business" means such number of units of each item as agreed to by the Ministry of Finance and National Economy of the Kingdom of Saudi Arabia and the Ministry of Finance of the Democratic Socialist Republic of Sri Lanka, and presently shown in the Schedule attached to the Memorandum.
- (f) the term "Customs Duty" means the import or export duty leviable under the Customs laws and other enactments construed as forming part of the Customs laws of the parties.
- (g) the term "Competent Authority" means:
 - (i) in the case of the Kingdom of Saudi Arabia, the Minister of Finance and National Economy;
 - (ii) in the case of the Democratic Socialist Republic of Sri Lanka, the Minister of Finance.

ARTICLE III

Mutual Agreement Procedure

The competent authorities of the parties shall endeavour to resolve through mutual consultation any difficulties or doubts arising as to the interpretation or application of the Memorandum of Understanding. Consultation may be required at any time by either party for the purpose of amendment to the Memorandum of Understanding or concerning its application, or its interpretation. Such consultation shall begin within 60 days from the date of receipt of any such request and decision shall be by mutual agreement.

ARTICLE IV

Entry into Force

This Memorandum of Understanding shall come into force on the date of signature by both
es.

ARTICLE V

Termination

This Memorandum of Understanding shall remain in force indefinitely unless terminated by
party by giving written notice of its intention to terminate, at least 6 months before the end of
ale. Of year; in which case this Memorandum of Understanding shall cease to have effect from
nd of the calendar year in which the notice of termination is given.

IN WITNESS HEREOF, the undersigned, duly authorized thereto by their respective
Governments have signed this Memorandum of Understanding.

Done at on this day of One Thousand
Nine Hundred and Ninety . Done in Duplicate in the Sinhala, Arabic and English
Languages, all texts being equally authentic. In case of divergence of interpretation
the English text shall prevail.

the Government of the For the Government of the
Democratic Socialist Kingdom of Saudi Arabia
Republic of Sri Lanka

**SCHEDULE TO THE MEMORANDUM OF UNDERSTANDING ON
RECIPROCAL CUSTOMS DUTY EXEMPTION
BETWEEN
THE KINGDOM OF SAUDI ARABIA
AND
THE REPUBLIC OF SRI LANKA**

Ground equipment and technical supplies to be used within the limits of International Airports.

This will include the following:

- (1) Passenger Transport Buses
- (2) Jeep Cars
- (3) Station Wagons
- (4) Small Cars
- (5) Carts for Transport of Luggage and Consignments
- (6) Loading and Unloading Equipment
- (7) Air-conditioning Units
- (8) Communication Apparatus and Equipment

- (9) Maintenance and Repairing Equipment
- (10) Parts and Accessories for Aircraft Vehicles, Machinery and Equipment
- (11) Office Furniture and Equipment
- (12) Aircraft Catering Equipment and Dry Stores

Items for Use Outside the Airport Premises

- (1) One Passenger Bus for Crew Transport
- (2) Office Air-conditioning Equipment
- (3) Computer and Communication Equipment for Airline office use

Advertising and Sales Promotion Materials

- (1) Wall Calendars
- (2) Desk and Pocket Diaries
- (3) Desk Sets
- (4) Handbags
- (5) Ash Trays
- (6) Schedules Pen Holders
- (7) Aircraft Model
- (8) Posters
- (9) Leaflets
- (10) Passport Covers
- (11) Luggage Tickets, Air Tickets and Freight Vouchers
- (12) Key Chains
- (13) Printed Forms and Stationery Items used by Airline

Uniform Clothing

Note : Items under 4 will bear the Airline Logo/Symbol. All items imported are for the use of the Airline and its office and any such items sold or disposed of shall be dutiable.

AGREEMENT

REEMENT BETWEEN THE GOVERNMENT OF THE DEMOCRATIC SOCIALIST
UBLIC OF SRI LANKA AND THE GOVERNMENT OF THE KINGDOM OF SAUDI
ABIA FOR THE AVOIDANCE OF DOUBLE TAXATION BY RECIPROCAL
MPTION OF TAXES ON INCOME ON THE ACTIVITIES OF AIR TRANSPORT
ERPRISES OF THE TWO COUNTRIES.

Government of the Democratic Socialist Republic of Sri Lanka and the Government of the
dom of Saudi Arabia, desiring to conclude an Agreement for the avoidance of double taxation
ome derived from International Air Transport.

agreed as follows:

ARTICLE 1

Taxes Covered

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.

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.

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").

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

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.

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

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.

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.

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 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

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.

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

Competent authorities of the Contracting States shall endeavour to resolve by mutual agreement 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 of 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

This Agreement shall be ratified and the instruments of ratification shall be exchanged in due course of time.

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

Agreement shall remain in force indefinitely unless terminated by either Contracting State by notice of termination at least six months before the end of any calendar year, in which case, 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 authorized thereto by the respective governments, signed this Agreement.

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.

C. Perera
Minister of the
Democratic Socialist
Republic of Sri Lanka

Abdelaziz AL - Orayer
For the Government of the
Kingdom of Saudi Arabia

