

Convention between  
the Republic of Korea and the United Arab Emirates  
for the Avoidance of Double Taxation and the Prevention  
of Fiscal Evasion with Respect to Taxes on Income

Signed at Dubai September 22, 2003

Entered into force March 2, 2005

The Republic of Korea and the United Arab Emirates,  
Desiring to promote their mutual economic relations through the conclusion between them of a  
Convention for the avoidance of double taxation and the prevention of fiscal evasion with respect  
to taxes on income,

Have agreed as follows:

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Article 1. **【Personal Scope】** [2005.03.02]

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

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Article 2. **【Taxes Covered】** [2005.03.02]

1. This Convention shall apply to taxes on income imposed on behalf of a Contracting State or of  
its political subdivisions or local authorities, 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 or immovable property, taxes on  
the total amounts of wages or salaries paid by enterprises.

3. The existing taxes to which this Convention shall apply are, in particular:

a) In the case of the Republic of Korea:

- ) the income tax;
- ) the corporation tax;
- ) the special tax for rural development; and
- ) the inhabitant tax;

(hereinafter referred to as "Korean tax").

b) In the case of the UAE:

) the income tax; and

) the corporate tax; (hereinafter referred to as "UAE tax").

4. The Convention shall apply also to any identical or substantially similar taxes which are imposed under the laws of a Contracting State after the date of signature of this Convention in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other of any substantial changes which have been made in their respective taxation laws.

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Article 3. **【General Definition】** [2005.03.02]

1. For the purposes of this Convention, unless the context otherwise requires:

a) The term "a Contracting State" and "the other Contracting State" mean the Republic of Korea or the United Arab Emirates, as the context requires;

b) The term "Republic of Korea" means the territory of the Republic of Korea, including its territorial sea, and any other area adjacent to the territorial sea of the Republic of Korea which, in accordance with international law, has been or may hereafter be designated under the laws of the Republic of Korea as an area within which the sovereign rights or jurisdiction of the Republic of Korea with respect to the waters, the sea-bed and subsoil, and their natural resources may be exercised;

c) The term "United Arab Emirates" means the United Arab Emirates and when used in a geographical sense, means the area in which the territory is under sovereignty as well as the territorial sea, airspace and submarine areas over which the United Arab Emirates exercise sovereign rights, including the mainland and islands under its jurisdiction in respect of any activity carried on in connection with the exploration for or the exploitation of natural resources;

d) The term "person" includes any individual or company and any other body of persons;

e) The term "national" means:

(1) any individual possessing the nationality of a Contracting State;

(2) any legal person, partnership or association or financial institution deriving its status as such from the laws in force in a Contracting State;

f) The term "company" means any body corporate or any entity that is treated as a body corporate for tax purposes;

g) 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;

h) The term "international traffic" means any transport by a ship or aircraft operated by an enterprise of a Contracting State, except when the ship or aircraft is operated solely between places in the other Contracting State;

l) The term "tax" means Korean tax or UAE tax, as the context requires;

j) The term "competent authority" means:

(1) in the case of the Republic of Korea: Minister of Finance and Economy or his authorized representative;

(2) in the case of the UAE: Minister of Finance and Industry or his authorized representative.

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

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Article 4. **【Resident】** [2005.03.02]

1. For the purposes of this Convention, the term "resident of a Contracting State" means:

a) in the case of the Republic of Korea: any person who, under the laws of the Republic of Korea, is liable to tax therein by reason of his domicile, residence, place of head or main office, place of management or any other criterion of a similar nature;

b) in the case of UAE: an individual who has his domicile in the United Arab Emirates, the UAE national, and a company or any financial institution which is incorporated in the UAE, and has its place of effective management there.

2. For the purposes of paragraph 1, a resident of a Contracting State shall include:

a) the Government of that Contracting State and any political subdivision or local Government authority thereof;

b) any other governmental institution created in that Contracting State under public law such as a corporation, fund in case of UAE, Central Bank of the UAE, Abu Dhabi Investment Authority, Abu Dhabi Investment Company, International Petroleum Investment Company (IPIC), Dubai Tourism Department, Dubai Investment and Development Corporation and any other entities directly or indirectly wholly owned by those mentioned in subparagraph b);

c) any other entity established in that Contracting State by the Government of that Contracting State or any political subdivision or local Government authority thereof or any governmental institution as defined in subparagraph b).

3. 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 Contracting State in which he has a permanent home available to him; if he has a permanent home available to him in both Contracting States, he shall be deemed to be a resident only of the Contracting State with which his personal and economic relations are closer (center 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 Contracting 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 Contracting State of which he is a national;

d) if his status cannot be determined under the provisions of the above subparagraphs, the competent authorities of the Contracting States shall settle the question by mutual agreement.

4. 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 Contracting State in which its place of effective management is situated.

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Article 5. **【Permanent Establishment】** [2005.03.02]

1. For the purposes of this Convention 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;

f) a mine, an oil or gas well, a quarry or any other place relating to the extraction of natural resources.

3. A building site, a construction, assemble or installation project or supervisory activities in connection therewith carried out in a Contracting State, constitutes a permanent establishment only if such site, project or activities continue for a period of more than 18 months.

4. The furnishing of services, including consultancy or managerial services, by an enterprise of a Contracting State through employees or other personnel engaged by the enterprise for such purpose, in the other Contracting State constitutes a permanent establishment only if activities of that nature continue for a period or periods aggregating more than 18 months.

5. 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, display or delivery 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, display or delivery;

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 carrying on, for the enterprise 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 subparagraphs 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.

6. Notwithstanding the provisions of paragraphs 1 and 2, where a person - other than an agent of an independent status to whom paragraph 8 applies - is acting in a Contracting State on behalf of an enterprise of the other Contracting State, that enterprise shall be deemed to have a permanent establishment in the first-mentioned Contracting State in respect of any activities which that person undertakes for the enterprise, if such a person:

a) he has and habitually exercises in the first-mentioned Contracting State a general authority to negotiate and conclude contracts for or on behalf of such enterprise;

b) he maintains in the first-mentioned Contracting State a stock of goods or merchandise from which he regularly sells goods or merchandise for or on behalf of such enterprise.

7. Notwithstanding the preceding provisions of this Article, an insurance enterprise of a Contracting State shall, except in regard to re-insurance, be deemed to have a permanent establishment in the other Contracting State if it collects premiums in the territory of that other State or insures risks situated therein through a person other than an agent of an independent status to whom paragraph 9 applies.

8. An enterprise of 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 and other enterprises, which are controlled by it or have a controlling interest in it, he will not be considered an agent of an independent status within the meaning of this paragraph.

9. 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 Contracting State (whether through a permanent establishment or otherwise), shall not of itself constitute either company a permanent establishment of the other Contracting State.

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Article 6. **【Income from Immovable Property】** [2005.03.02]

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 law 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 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; ships and aircraft 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 income from immovable property used for the performance of independent

personal services.

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Article 7. **【Business Profits】** [2005.03.02]

1. The profits of an enterprise of a Contracting State shall be taxable only in that Contracting State unless the enterprise carries on business in the other Contracting State through a permanent establishment situated in that other Contracting State. If the enterprise carries on or has carried on business in that manner, the profits of the enterprise may be taxed in the other Contracting 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. In determining the profits of a permanent establishment, there shall be allowed as deductions those deductible expenses which are incurred for the purposes of the permanent establishment, including executive and general administrative expenses so incurred, whether in the Contracting State in which the permanent establishment is situated or elsewhere, taking into consideration any applicable law or regulations in the concerned Contracting State. However, no such deduction shall be allowed in respect of amounts, if any, paid (otherwise than towards reimbursement of actual expenses) by the permanent establishment to the head office of the enterprise or any of its other offices, by way of royalties, fees or other similar payments in return for the use of patents or other rights, or by way of commission, for specific services performed or for management, or, except in the case of a banking enterprise, by way of interest on moneys lent to the head office of the enterprise or any of its other offices.

4. 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.

5. 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 contained in this Article.

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 or gains which are dealt with separately in other Articles of this Convention, then the provisions of those Articles shall not be affected by the provisions of this Article.

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Article 8. **【Shipping And Air Transport】** [2005.03.02]

Notwithstanding the provisions of Article 7 of this Convention:

1. Profits of an enterprise of a Contracting State from the operation of ships or aircraft in international traffic shall be taxable only in that Contracting State.

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

a) profits from the rental on a bareboat basis of ships or aircraft;

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.

3. The provisions of paragraph 1 shall also apply to profits derived from:

a) the participation in a pool, a joint business or an international operating agency;

b) selling of tickets on behalf of another enterprise;

c) income from training schemes;

d) income from selling of technical engineering to a third party;

e) income arising from contract building in case of tender for contracting airport facilities;

f) income deriving from deposits only if it represents proceed from ticket sales and cargo transport;

g) in respect of operation of ships or aircraft in international traffic carried on by an enterprise of a Contracting State, if an enterprise of a resident of UAE shall be exempt from the value added tax in Korea and an enterprise of a resident of Korea, shall also be exempt from any tax similar to the value added tax in Korea which may hereafter be imposed in UAE.

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Article 9. 【Associated Enterprises】 [2005.03.02]

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,

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 the profits of an enterprise of that Contracting 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 Contracting 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 shall make an appropriate adjustment to the amount of the profits subjected to tax. In determining such adjustment, due regard shall be had to the other provisions of this Convention and the competent authorities of the Contracting States shall, if necessary, consult each other.

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Article 10. 【Dividends】 [2005.03.02]

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 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:

a) 5 per cent of the gross amount of the dividends if the beneficial owner is a company or enterprise (other than a partnership) which holds directly at least 10 per cent of the capital of the company paying the dividends;

b) 10 per cent of the gross amount of the dividends in all other cases.

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, 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. The provisions of paragraph 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 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.

5. 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 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 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 State.

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Article 11. **【Interest】** [2005.03.02]

1. Interest arising in a Contracting State and paid to a resident of the other Contracting State may be taxed in that other 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 10 per cent of the gross amount of the interest.

3. Notwithstanding the provisions of paragraph 2, interest arising in a Contracting State and paid to the Government of the other Contracting State including political subdivisions and local authorities thereof, the Central Bank of that other State or any financial institution performing functions of a governmental nature and the capital of which is wholly owned by that Government shall be exempt from tax in the first-mentioned State.

4. For purpose of paragraph 3, the phrase "the Central Bank" and "financial institution performing functions of a governmental nature and the capital of which is wholly owned by the Government" means:

a) in Korea:

- ( ) the Bank of Korea;
- ( ) the Korea Export-Import Bank;
- ( ) the Korea Development Bank;
- ( ) the Korea Export Insurance Corporation; and

( ) such other financial institution performing functions of a governmental nature as may be specified and agreed upon in letters exchanged between the competent authorities of the Contracting States;

b) in case of the UAE:

- ( ) the Central Bank of UAE;
- ( ) Abu Dhabi Investment Authority;
- ( ) Abu Dhabi Fund for Economic Development;
- ( ) Abu Dhabi Investment Company(ADIC);
- ( ) International Petroleum Investment Company (IPIC);
- ( ) Dubai Tourism Department; and

( ) any other similar institution shall be specified and agreed upon by letters between the competent authorities of the Contracting States.

5. 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, as well as income which is subjected to the same taxation treatment as income from money lent by the taxation laws of the Contracting State in which the income arises.

6. The provisions of paragraphs 1 and paragraph 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 in that other Contracting State, or performs in that other Contracting State independent personal services from a fixed base situated in that other Contracting State, 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 a resident of that Contracting 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 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 of the interest, 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. 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 Convention.

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Article 12. **【Royalties】** [2005.03.02]

1. Royalties arising in a Contracting State and paid to a resident of the other Contracting State shall be taxable in that other Contracting State.

2. 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 cinematograph films and works on films, tapes or other means of reproduction for use in connection with television or radio broadcasting, any patent, trade mark, design or model, plan, secret formula or process, or for information (know-how) concerning industrial, commercial or scientific experience.

3. 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 in that other Contracting State, or performs in that other Contracting State independent personal services from a fixed base situated in that Contracting State 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.

4. Royalties shall be deemed to arise in a Contracting State when the payer is a resident of that Contracting 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 liability to pay the royalties was incurred, 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.

5. Where, by reason of a special relationship between the payer and the beneficial owner of the royalties or between both of them and some other person, the amount of the royalties, 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. 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 Convention.

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Article 13. **【Capital Gains】** [2005.03.02]

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 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 State.

3. Gains from the alienation of ships or aircraft operated in international traffic, boats engaged in inland waterways transport or movable property pertaining to the operation of such ship, aircraft or boats, shall be taxable only in the Contracting State in which the place of effective management of the enterprise is situated.

4. Gains derived by a resident of a Contracting State from the alienation of shares deriving more than 50 per cent of their value directly or indirectly from immovable property situated in the other Contracting State may be taxed in that other State.

5. Gains from the alienation of shares other than those mentioned in paragraph 4 representing a participation of at least 10 per cent in a company which is a resident of a Contracting State may be taxed in that State.

6. Gains from the alienation of any property other than that referred to in paragraphs 1, 2, 3, 4 and 5 shall be taxable only in the Contracting State of which the alienator is a resident.

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Article 14. **【Independent Personal Services】** [2005.03.02]

1. Income derived by an individual who is 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 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, lawyers, engineers, architects, dentists and accountants.

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Article 15. **【Dependent Personal Services】** [2005.03.02]

1. Subject to the provisions of Article 16, 18, 19, 20 and 21, 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 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 the other 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;

b) the remuneration is paid by, or on behalf of, an employer who is not a resident of the other 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 derived in respect of an employment exercised aboard a ship or aircraft operated in international traffic by an enterprise of a Contracting State shall be taxable only in that State.

4. Ground staff appointed from head office of national air carrier of a Contracting State to the other Contracting State shall be exempted from taxes levied on their remuneration in the other Contracting State.

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Article 16. **【Directors' Fees】** [2005.03.02]

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

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Article 17. **【Artists And Sportsmen】** [2005.03.02]

1. Notwithstanding the provisions of Articles 14 and 15, income derived by a resident of a Contracting State as an entertainer, such as a theatre, 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 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. Notwithstanding the provisions of paragraphs 1 and 2 of this Article, income derived from such activities performed within the framework of the cultural agreements concluded between the Contracting State are reciprocally exempted from tax only if such activities are sponsored by the Government of a Contracting State or financed by public fund of both Contracting States and the activities are not carried out for the purpose of profits.

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Article 18. **【Pensions and Annuities】** [2005.03.02]

1. Subject to the provisions of paragraph 2 of Article 19, pensions and other similar remuneration and annuities paid to an individual who is a resident of a Contracting State in consideration of past employment shall be taxable only in that Contracting State.

2. As used in this Article:

a) The terms "pensions and other similar remuneration" mean periodic payments made after retirement in consideration of past employment or by way of compensations for injuries received in connection with past employment;

b) The term "annuities" means a stated sum payable to an individual periodically at stated times during life, or during a specified or ascertainable period of them, under an obligation to make the payments in return for adequate and full consideration in money or money's worth.

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Article 19. **【Government Service】** [2005.03.02]

1. a) Salaries, wages and other similar remuneration, other than a pension, paid by a Contracting State or a political subdivision or a local authority thereof to an individual in respect of services rendered to that Contracting State or subdivision or authority 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 Contracting State and the individual is a

resident of that Contracting State and has fulfilled one of the following conditions:

(1) is a national of that Contracting State;

(2) did not become a resident of that Contracting 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 political subdivision or a local authority thereof to an individual in respect of services rendered to that Contracting State or subdivision or authority 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 Contracting State.

3. The provisions of Articles 15, 16, 17 and 18 shall apply to salaries, wages and other similar remuneration and to pensions in respect of services rendered in connection with a business carried on by a Contracting State or a political subdivision or a local authority thereof.

4. The provisions of paragraphs 1, 2 and 3 of this Article shall likewise apply in respect of salaries, wages and other similar remuneration or pensions paid by:

a) in Korea:

( ) the Bank of Korea;

( ) the Korea Export-Import Bank;

( ) the Korea Development Bank;

( ) the Korea Export Insurance Corporation; and

( ) the Korea Trade-Investment Promotion Agency and other institutions performing Functions of a Governmental nature as may be specified and agreed upon in letters exchanged between the competent authorities of the Contracting States;

b) in case of the UAE:

( ) the Central Bank of UAE;

( ) Abu Dhabi Investment Authority;

( ) Dubai Tourism Department;

( ) Abu Dhabi Fund for Economic Development;

( ) Abu Dhabi Investment Company;

( ) International Petroleum Investment Company (IPIC); and

( ) and other institution performing Functions of a Governmental nature as may be specified and agreed upon in letters between the competent authorities of the Contracting States.

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Article 20. **【Teachers and Researchers】** [2005.03.02]

An individual who is or was immediately before visiting a Contracting State a resident of the other



Contracting State and who at the invitation of the Government of the first-mentioned Contracting State or of a university, college, school, museum or other cultural institution in that first-mentioned Contracting State or under an official programme of cultural exchange is present in that Contracting State for a period not exceeding three consecutive years solely for the purpose of teaching, giving lectures, or carrying out research at such institution shall be exempt from tax in that Contracting State on his remuneration for such activity.

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Article 21. **【Students and Trainees】** [2005.03.02]

1. Payments which a student or business trainee who is or was immediately before visiting a Contracting State a resident of the other Contracting State and who is present in the first-mentioned 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 Contracting State, provided that such payments arise from sources outside that Contracting State.

2. In respect of grants, scholarships and remuneration from employment not covered by paragraph 1, a student or business trainee described in paragraph 1 shall, in addition, be entitled during such education or training to the same exemptions, reliefs or reductions in respect of taxes available to residents of the Contracting State which he is visiting.

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Article 22. **【Other Income】** [2005.03.02]

1. Items of income of a resident of a Contracting State, wherever arising, not dealt with in the foregoing Articles of this Convention shall be taxable only in that 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 in that other State independent personal services from a fixed base situated therein, and the right or property in respect of which the income 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.

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Article 23. **【Limitation on benefits】** [2005.03.02]

1. Notwithstanding the application of the other Articles of the Convention, with respect to taxation in the Republic of Korea only the following residents of the United Arab Emirates shall be entitled to the benefits of Articles 7, 8,10 to 15, 21 and 22:

- a) the Federal and the local governments of the United Arab Emirates;

b) a government institution of the United Arab Emirates as defined in paragraph 2 of Article 4;

c) a company provided that such company can prove that at least 75 per cent of its capital is beneficially owned by the United Arab Emirates and/or by a government institution of the United Arab Emirates and give substantial evidence that the remaining capital is beneficially owned by individuals being residents of the United Arab Emirates and that the company is controlled by the aforementioned residents.

2. Notwithstanding the provisions of paragraph 1, also the following residents of the United Arab Emirates shall be entitled to the benefits of Article 8, 10 and 11;

a) an individual;

b) a company, provided that such company can give substantial evidence that its capital is beneficially owned exclusively by the United Arab Emirates and/or by a government institution of the United Arab Emirates or local governments and/or by individuals being residents of the United Arab Emirates and the company is controlled by the aforementioned residents.

3. A further prerequisite for relief from Korean taxes under paragraphs 1 and 2 is that the company resident in the United Arab Emirates proves that it was not a principal purpose of the company or of the conduct of its business or of the acquisition or maintenance by it of the shareholding or other property from which the income in question is derived to obtain any of such benefits to the advantage of a person who is not a resident of the United Arab Emirates.

4. Relief from Korean taxes under paragraphs 1 to 3 is conditional on confirmation by the competent authority of the United Arab Emirates that the prerequisite mentioned in paragraphs 1 and 2 have been fulfilled. If the authorities of the Republic of Korea have evidence which casts doubt on the statements which have been made by the person to whom the income or capital is allocatable and which have been confirmed by the competent authority of the United Arab Emirates, the competent authority of the Republic of Korea may present this evidence to the competent authority of the United Arab Emirates, the latter shall, as far as possible, make fresh inquiries and shall inform the competent authority of the Republic of Korea of the results. In case of disagreement between the competent authorities of the two Contracting States, the procedure under Article 26 shall be applied.

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Article 24. **【Elimination of Double Taxation】** [2005.03.02]

1. The laws in force in either the Contracting State shall continue to govern the taxation in the respective Contracting State except where provisions to the contrary are made in this Convention.

2. It is agreed that double taxation shall be avoided in accordance with the following provisions:

a) In the case of Korea:

Where a resident of Korea derives income from UAE which may be taxed in UAE, under the laws of UAE in accordance with the provisions of this Convention, in respect of that income, the amount of tax payable shall be allowed as a credit against the Korean tax payable imposed on that resident. The amount of credit shall not, however exceed that part of Korean tax as computed before the credit is given, which is appropriate to that income.

Where the income derived from UAE a dividend paid by a company which is a resident of UAE to a company which is a resident of Korea which owns not less than 10 percent of the total shares issued by that company, the credit shall take into account the UAE tax payable by the company in respect of the profits out of which such dividend is paid.

b) In the case of the UAE:

Where a resident of United Arab Emirates derives income or owns capital which, in accordance with the provisions of this Convention, may be taxed in both Contracting States and United Arab Emirates, UAE shall allow as a deduction from the tax on the income of that resident, an amount equal to the income tax paid in the Republic of Korea.

Such deduction shall not, however, exceed that part of the tax on income, as computed before the deduction is given, which is attributable to the income which may be taxed in the Republic of Korea.

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Article 25. **【Non-Discrimination】** [2005.03.02]

1. Individuals possessing the nationality of a Contracting State shall not be subjected in the other Contracting State to any taxation or any obligations connected therewith, which is other or more burdensome than the taxation and connected obligations to which individuals possessing the nationality of that other Contracting State in the same circumstances, in particular with respect to residence, are or may be subjected.

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 in that other Contracting State than the taxation levied on enterprise of third states, carrying on the same activities in the same circumstances. This provision shall not 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.

3. Enterprises of a Contracting State, the capital of which is wholly or partly owned or which is controlled, directly or indirectly, by one or more residents of the other Contracting State, shall not be subjected in the first-mentioned Contracting State to any taxation or any obligations connected therewith which is other or more burdensome than the taxation and connected obligations to which other similar enterprises the capital of which is wholly or partly owned or which is controlled directly or indirectly by one or more residents of any third state are or may be subjected.

4. Nothing in this Article shall be interpreted as imposing a legal obligation on a Contracting State to extend to the residents of the other Contracting State, the benefit of any treatment, preference or privilege which may be accorded to any third state or its residents by virtue of the formation of a customs union, economic union, a free trade area or any regional or sub-regional arrangement relating wholly or mainly to taxation or movement of capital to which such the first-mentioned Contracting State may be a party.

5. In this Article, the term "taxation" means taxes which are the subject of this Convention.

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Article 26. **【Mutual Agreement Procedure】** [2005.03.02]

1. Where a person considers that the actions of one or both of the Contracting States result or will result for him in taxation not in accordance with the provisions of this Convention, he may, irrespective of the remedies provided by the domestic law of those Contracting States, present his case to the competent authority of the Contracting States 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 three years from the first notification of the action resulting in taxation not in accordance with the provision of this Convention.

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 Convention. Any agreement reached shall be implemented notwithstanding any time limits in the domestic law of the Contracting State.

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 this Convention. They may also consult together for the elimination of double taxation in cases not provided for in this Convention.

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.

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Article 27. **【Exchange of Information】** [2005.03.02]

1. The competent authorities of the Contracting States shall exchange such information as is necessary for carrying out the provisions of this Convention or of the domestic laws of the Contracting State concerning taxes covered by the Convention insofar as the taxation thereunder is not contrary to this Convention. 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 Contracting

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 this Convention. 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 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 (order public).

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Article 28. **【Miscellaneous Rules】** [2005.03.02]

The Provisions of this Convention shall not be construed to restrict in any manner any exclusion, exemption, deduction, credit or other allowance now or hereafter accorded:

a) by the laws of a Contracting State in the determination of the tax imposed by that Contracting State;

b) by any other special arrangement on taxation between the Contracting States or between one of the Contracting States and residents of the other Contracting State.

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Article 29. **【Members of Diplomatic Missions and Consular Posts】** [2005.03.02]

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

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Article 30. **【Entry into Force】** [2005.03.02]

Each of the Contracting States shall notify to the other in writing the completion of its constitutional procedures for the entry into force of this Convention. This Convention shall enter into force on the date of receipt of the latter of these notifications and its provisions shall

thereupon have effect in both Contracting States:

a) in respect of taxes withheld at source, for amounts paid or credited on or after the first day of January of the year in which this Convention is signed;

b) in respect of other taxes, for taxable periods beginning on or after the first day of January of the year in which this Convention is signed.

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Article 31. **【Duration and Termination】** [2005.03.02]

This Convention shall remain in force for a period of five years and shall continue in force thereafter for a similar period or periods unless either Contracting State notifies the other in writing, at least six months before the expiry of the initial or any subsequent period, of its intention to terminate this Convention. In such event, this Convention shall cease to have effect in both Contracting States:

a) in respect of taxes withheld at source, for amounts paid or credited on or after the first day of January of the year next following that in which the notice of termination is given;

b) in respect of other taxes, for taxable periods beginning on or after the first day of January of the year next following that in which the notice of termination is given.

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

Done at Dubai on 22 September 2003, in the Korean, Arabic and English languages, all texts being equally authentic. In the case of divergence of interpretation, the English text shall prevail.

FOR THE REPUBLIC OF KOREA  
FOR THE UNITED ARAB EMIRATES

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[2005.03.02]

**PROTOCOL**

At the moment of signing the Convention between the Republic of Korea and the United Arab Emirates for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, the undersigned have agreed that the following provisions shall form an integral part of the Convention.

1. Subject to the provisions of Article 21, nothing in this Convention shall affect the right of the Government of the United Arab Emirates, its political subdivision, local authorities or local Governments to apply its own laws related to the taxation of income derived from petroleum and natural resources; such activities will be taxed according to the laws of the United Arab Emirates.

2. If, subsequent to the signature of the Convention, Korea should enter into such an agreement with a third State under which Korea accords a treatment more favorable than that accorded to the UAE, the competent authority of Korea may consider whether such similar treatment should also be accorded to the UAE, with due regard to the circumstances of each case, and in particular the circumstances under which the more favorable treatment had been accorded to the third State.

3. With Reference to Article 8, paragraph 3 and Article 13, paragraph 3  
The provisions of these Articles shall also be applied to profits derived from and the capital of "Gulf Air", or a successor entity thereof, but only as to such part of the profits or the capital as corresponds to the share in such carrier owned by the United Arab Emirates or a Government institution thereof.

4. With respect to Article 8  
Without prejudice to Article 9, it is understood that paragraph 1 means that if an enterprise of a Contracting State carries on business in the other Contracting State, not through a permanent establishment, profits or gains of this enterprise will be subject to tax only in the Contracting State of which the enterprise is resident.

5. It is understood that the Korean Foreign Direct Investment Act grants exemption of taxes for investments on selective economic sectors.

6. With respect to Article 11  
It is understood that if foreigner investor buys securities of bonds dominated in foreign currency, the interest of such securities or bonds will not be subject to tax in Korea.

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

Done at Dubai on 22 September 2003, in the Korean, Arabic and English languages, all texts being equally authentic. In the case of divergence of interpretation, the English text shall prevail.

FOR THE REPUBLIC OF KOREA  
FOR THE UNITED ARAB EMIRATES

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