Minister for External Relations

Government of JERSEY

Economic and International Affairs Scrutiny Panel
By email
11th February 2026

Dear chair,

Agreement between the Government of Jersey and the Government of the Kingdom of Bahrain: Elimination of double taxation (taxes on income) and prevention of tax evasion/ avoidance (P.17/2026)

Thank you for your letter dated 5th February asking various questions on the Jersey-Bahrain Double Taxation Agreement. Please find the answers below.

1. Can you provide the Panel with an overview and aim of the Agreement with Bahrain?

Upon its entry into force, the Double Taxation Agreement ("DTA") between the Government of Jersey and the Government of the Kingdom of Bahrain will be a binding treaty between the two jurisdictions governed under international law. Like all DTAs, the primary purpose is to provide certainty to taxpayers – which may include businesses or individuals – by protecting against the risk of tax being applied to the same income or gains in both jurisdictions and to provide for equitable treatment of cross-border trade and investment.

2. Could you outline for the Panel the rationale behind the need for a double taxation agreement with Bahrain?

Engagement with Jersey's FRPS (Financial and Related Professional Services) industry has demonstrated support for Jersey pursuing a wider network of DTAs, especially with jurisdictions such as Bahrain where business flows are well established and where there is regular exchange of personnel. Without a DTA in place, Jersey firms and individuals operating in Bahrain could be subject to punitive double taxation and, whilst the personal and corporate tax regimes in Bahrain relatively low, the DTA provides additional long-term certainty on this point.

Additionally, other International Finance Centres such as Singapore, the UAE and Mauritius have well-established and actively expanding tax treaty networks, demonstrating their recognition of the commercial advantages that DTAs provide.

3. Can you advise the Panel if the Agreement is the same as other double taxation agreements that Jersey has entered into with other jurisdictions?

The DTA is a balanced agreement that is generally consistent with the OECD Model Tax Convention, which is the model on which Jersey bases its DTAs. As a result, the DTA with Bahrain closely aligns to DTAs Jersey has negotiated with other parties whilst also, for some provisions such as anti-base erosion and profit shifting measures, reflecting updates to international standards and best practice since the signature of Jersey's existing DTAs.

4. The Agreement refers to the negotiation and conclusion of bilateral agreements and is identified as a priority activity in the Common Policy for External Relations. Could you outline how this particular DTA aligns with the economic and strategic objectives set out in that policy?

As outlined in the Common Policy for External Relations, one of the main objectives of the department is to serve Jersey's best economic interests "by promoting a strong, diversified and internationally-connected economy, safeguarding its competitive position as a platform for global business and promoting growth through trade and investment".

- The DTA delivers on this objective by preventing income from being taxed in both Jersey and Bahrain, removing barriers for individuals and businesses operating between the two jurisdictions and therefore encouraging greater levels of inward investment. This, in turn, is also anticipated to drive demand for the Island's FRPS sector, creating more business and more jobs.

In light of the expanded trade and investment flows anticipated over the long term as a result of the UK–Gulf Cooperation Council ("GCC") Free Trade Agreement (as outlined to the UK parliament), the importance of an agreement to eliminate the possibility of punitive double taxation on this activity is likely to increase.

The ongoing work of the FRPS Competitiveness programme has also reaffirmed the importance of Jersey's international connectivity, including via its treaty network, to the FRPS sector. At the Financial Services Annual Update event on 24 November 2025, the MER announced a set of immediate actions which included: "strengthening our targeted programme of international engagement and business development to reinforce Jersey's position in key markets and sectors." This new DTA is an example of the government's investment of resources to secure outcomes that improve Jersey's attractiveness for international businesses.

The DTA also reaffirms Jersey's commitment to international standards on tax transparency, positioning the Island on the global stage as a trusted, transparent and responsible international finance centre.

5. Could you provide further detail on the negotiation process, including any substantive areas where Jersey sought specific changes, and any issues that required compromise between the Parties?

In line with usual practice, and out of respect to the need to preserve confidentiality of discussions with a sovereign treaty partner, I am unable to comment on specific details within the negotiations. However, I can assure the Panel that negotiations were conducted in a cooperative and productive manner by both parties. Bahrain shares Jersey's preference for a treaty that supports greater flows of trade and investment in both directions, and the signed agreement is reflective of that shared understanding.

6. Could you set out which OECD minimum standards are incorporated into the Agreement and how their inclusion strengthens Jersey's international tax position?

The wording of Article 24 (Exchange of information) is fully compliant with minimum standards on transparency and exchange of tax information, in line with Jersey's commitments as a member of the Global Forum on Transparency and Exchange of Tax Information.

Further minimum standards are required under the OECD's Base Erosion and Profit Shifting (BEPS) initiative. The minimum standards under Action 6 to prevent the use of double tax agreements for abusive purposes have been incorporated in the title of the Agreement and in the protocol, which state that the Agreement is not intended to create opportunities for tax evasion, tax avoidance or treaty shopping. Article 26 (Entitlement to benefits) is also included to comply with the Action 6 minimum standards. Paragraph 1 of that article limits the entitlement of taxpayers to benefits under the Agreement where a particular transaction was structured in a particular way with the main purpose of obtaining a benefit under the Agreement.

The minimum standards in BEPS Action 14 are incorporated in Article 23 (Mutual agreement procedure). Paragraph 1 permits a taxpayer who believes that he is or may potentially be treated in a way which is not in accordance with the Agreement to bring forward a case to the competent authority of either jurisdiction within three years of the first notification of the action giving rise to the complaint. Paragraph 2 includes minimum standard language about the competent authorities endeavouring to resolve the case by mutual agreement, and committing to implement any agreement reached even if domestic time limits for doing so have passed.

Jersey is committed to complying with international minimum standards in taxation, and as such, is required to ensure that its agreements meet these standards.

7. Could you update the Panel on the status of Bahrain's domestic approval process and anticipated timelines?

At the time of writing, Bahrain has not yet written to Jersey confirming that it has completed its domestic approval processes. As stated in Article 27 of the Agreement, the DTA will enter into force upon confirmation by both Parties that the respective procedures for domestic approval of the Agreement have been concluded. Subject to the approval of the States Assembly and the completion of the equivalent procedures in Bahrain, we anticipate entry into force to occur in the first half of 2026, allowing the treaty's provisions to take effect from 1 January 2027.

***Non-numbered questions*:**

a. **Could you explain to the Panel how this Agreement will determine tax residency and what practical criteria will be applied when assessing an individual's or company's residency status?**

Article 4 of the Agreement addresses tax residence. If an individual is considered to be resident in both Bahrain and Jersey, the tie-breaker conditions in paragraph 2 apply. These provide that the authorities first look at whether the individual has a permanent home in either of the jurisdictions. If the individual has a permanent home in only one of the jurisdictions, he is considered to be resident only in that jurisdiction for the purposes of the Agreement. If he has a permanent home in both jurisdictions, the authorities will look at his personal and economic ties to each jurisdiction and deem him to be resident in the jurisdiction with which he has the closest ties. When applying this test, the Commentary on Article 4 of the OECD Model Convention provides that the factors to be taken into account are "his family and social relations, his occupations, his political, cultural or other activities, his place of business, the place from which he administers his property, etc".

If it cannot be determined which jurisdiction the individual has sufficient ties to, or if he has no permanent home in either jurisdiction, the Agreement says that he will be considered to be resident in the jurisdiction in which he has a habitual abode. For this purpose, it would be necessary to look at time spent in hotels, guest houses, campsites, the homes of family or friends and, for taxpayers with more than one property in a jurisdiction, any property owned, leased or otherwise available to the taxpayer.

If the taxpayer has an habitual abode in both jurisdictions or in neither of them, he will be considered to be resident in the jurisdiction of which he is a national. For purposes of Jersey's Double Tax Agreements, "national" is defined to mean a resident.

If the taxpayer is a national of both jurisdiction or of neither of them, the competent authorities of both jurisdictions are obliged to agree the question by mutual agreement, using the procedure set out in Article 23.

If a taxpayer other than an individual, such as a company, is considered to be resident in both jurisdictions, then for the purposes of the Agreement it is deemed to be resident only in the jurisdiction in which its place of effective management is situated. The place of effective management is the place in which the strategic decision-making functions of the entity are carried out.

b. **Could you clarify for the Panel the specific mechanisms within this Agreement that will ensure individuals and companies are not taxed twice on the same income?**

Articles 6 to 20 set out the treatment of different types of income under the Agreement, and Article 21 sets out the way in which relief from double taxation may be applied by each of the Parties.

The Report accompanying the States Proposition explains the articles in more detail, but I am happy to provide more details on specific articles if the Panel so requires.

c. **Could you outline how this Agreement will provide certainty for businesses and investors engaged in crossborder activities, and what benefits this certainty is expected to deliver for Jersey?**

I refer to my response provided for Question 4.

d. **Could you describe the provisions within this Agreement that safeguard Jersey's taxing rights and prevent tax avoidance or evasion?**

I refer to my response provided to Question 6 for a description of the measures included in the Agreement to safeguard Jersey's taxing rights and to prevent tax avoidance and evasion.

e. **Could you detail how information exchange between Jersey and Bahrain will operate under this Agreement, including any safeguards or governance arrangements?**

It should be noted that the Agreement does not create any new exchange of tax information obligations between Jersey and Bahrain, as the OECD's Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAAC), which has the same effect as Article 24 of the Agreement, has been in effect between the two jurisdictions from 1 September 2018. Jersey and Bahrain are both members of the OECD's Global Forum on Transparency and Exchange of Tax Information (the

Global Forum), which periodically reviews jurisdictions' compliance with the international standard on exchange of tax information. The most recent reports of both jurisdictions are available at Global Forum on Transparency and Exchange of Information for Tax Purposes: Jersey 2017 (Second Round) | OECD and Bahrain: Enhanced Monitoring Report on the Implementation of the Standard on Transparency and Exchange of Information on Request 2025 | OECD.

Article 24 of the Agreement covers the exchange of tax information between Jersey and Bahrain. The wording used mirrors Article 26 of the OECD Model Convention on Income and Capital, which represents the international standard in relation to transparency and exchange of tax information. As such, the Commentaries to the OECD Model Convention, and the more detailed commentaries on the OECD Model Tax Information Exchange Agreement, are an important guide to the interpretation and application of the article.

The article provides that the competent authorities of Jersey and Bahrain commit to exchanging tax information which is foreseeably relevant for the carrying out either the provisions of the Agreement or to the administration or enforcement of either jurisdiction's domestic tax laws. The commitment to exchange information is not limited to taxes covered under the Agreement, so for example, the Jersey authorities could request that the Bahrain authorities exchange information which was foreseeably relevant to the calculation of Jersey GST despite GST not being a tax which is covered by the Agreement. Article 26 also applies in respect of persons who are resident or non-resident in either jurisdiction, provided that the information is foreseeably relevant to the tax system of either jurisdiction.

Information may be exchanged under the article at the request of the competent authority of one of the parties, spontaneously or automatically. The form and manner of any form of automatic exchange would be agreed separately between the two jurisdictions. At present, Jersey and Bahrain automatically exchange financial account information under the CRS and country by country reports; in both cases this is done under the provisions of multilateral agreements made under the MAAC.

Article 24 includes provisions regarding the confidentiality of information exchanged between the two jurisdictions. Jurisdictions' confidentiality and data safeguarding laws and handling procedures are periodically reviewed by the Global Forum. The agreement does not affect the rights of taxpayers to challenge the validity of information exchanges made in respect of them, which may be provided for under domestic law. Paragraph 3 also sets out circumstances in which a competent authority may validly decline to exchange information.

8. Minister, who do you deem will be the main beneficiaries of this agreement and what is the expected outcome?

The main beneficiaries of this agreement are expected to be business communities as well as Jersey and Bahrain individuals moving between the two jurisdictions. It is challenging to provide statistical evidence that DTAs have an immediate, direct impact on business flows, however we anticipate that the Agreement will support and encourage increased business activity over time.

9. What are the economic benefits of this double tax agreement and how will this be monitored or measured?

The economic benefits of the DTA are detailed in my response to Question 4. Whilst these benefits can be challenging to monitor and measure directly, the DTA will act as an important enabling factor for increased business flows. We have engaged with the FRPS industry who have advised that DTAs are important in their commercial activity and we will continue to monitor the impact of the DTA through industry consultation via Jersey Finance.

10. Minister, there are general concerns in the International Community around the state of Human Rights in Bahrain. What consideration has been given to this in the construction of this double tax agreement?

Jersey is aligned with the UK, USA and the EU in believing that promoting progress on human rights is best pursued through a process of constructive engagement at both political and commercial levels.

Whilst in Bahrain for the signing of the DTA, I met with senior UK counterparts and Bahraini Ministers where I reaffirmed Jersey's commitment to upholding the rights and freedoms of individuals around the world.

I acknowledge that further progress is always possible and I remain committed to engaging in constructive dialogue with partners including Bahrain on strengthening human rights standards.

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