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# מדינת ישראל

משרד הממשלה

משרד

האוצר

מסמך

הסכם כללי עם הפלשתינאים

במסגרת הסכם זה יכילן מיפוי ימים (סעיף 7)  
ומיפוי ימים על יצור מקומי (סעיף 11)  
1-94-4-94-

זמא - 3

מחלקה

האוצר

תיק מס'



שם תיק: הסכם כללי עם הפלשתינאים במסגרת הסכם עזה  
יריחו מיפוי ישיר ומיפוי עקיף על יצור מקום

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**PALESTINIAN DELEGATION TO THE  
JOINT ECONOMIC COMMITTEE**

**PARIS 16 NOVEMBRE 1993**

**CENTRE DE CONFERENCES INTERNATIONALES  
DE L'AVENUE KLEBER**

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## Article VI

### INDIRECT TAXES ON LOCAL PRODUCTION

1. The Israel and the Palestinian tax administrations will levy and collect VAT and purchase taxes on local production, as well as any other indirect taxes, in their respective areas.
2. The purchase tax rates within the jurisdiction of each tax administration will be identical as regards locally produced and imported goods.
3. The present Israeli VAT rate is 17%. The Palestinian VAT rate will be 15% to 16%.
4. The Palestinian Authority will decide on the maximum annual turnover for businesses under its jurisdiction to be exempt from VAT, within an upper limit of 12,000 US \$.
5. The VAT on purchases by businesses registered for VAT purposes will accrue to the tax administration with which the respective business is registered.

Businesses will register for VAT purposes with the tax administration of the side of their residence, or on the side of their ongoing operation.

There will be clearance of VAT revenues between the Israeli and Palestinian VAT administrations on the following conditions :

- a. The VAT clearance will apply to VAT on transactions between businesses registered with the VAT administration of the side in which they reside.
- b. The following procedures will apply to clearance of VAT revenues accruing from transactions by businesses registered for VAT purposes :
  - (1) To be acceptable for clearance purposes, special invoices, clearly marked for this purpose, will be used for transactions between businesses registered with the different sides.
  - (2) The invoices will be worded either in both Hebrew and Arabic or in English and will be filled out in any of these three languages, provided that the figures are written in "Arabic" (not Hindi) numerals.
  - (3) For the purpose of tax rebates, such invoices will be valid for six months from their date of issue.

- (4) Representatives of the two sides will meet once a month, on the 20th day of the month, to present each other with a list of invoices submitted to them for tax rebate, for VAT clearance. This list will include the following details regarding each invoice :
    - (a) The number of the registered business issuing it ;
    - (b) The name of the registered business issuing it ;
    - (c) The number of the invoice ;
    - (d) The date of issue ;
    - (e) The amount of the invoice ;
    - (f) The name of the recipient of the invoice.
  - (5) The clearance claims will be settled within 6 days from the meeting, through a payment by the side with the net balance of claims against it, to the other side.
  - (6) Each side will provide the other side, upon demand, with invoices for verification purposes. Each tax administration will be responsible for providing invoices for verification purposes for 6 months after receiving them.
  - (7) Each side will take the necessary measure to verify the authenticity of the invoices presented to it for clearance by the other side.
  - (8) Claims for VAT clearance which will not be found valid will be deducted from the next clearance payment.
  - (9) Once an inter-connected computer system for tax rebates to businesses and for VAT clearance between the two sides is operational, it will replace the clearance procedures specified in sub-paras (4) - (8).
  - (10) The two tax administrations will exchange lists of the businesses registered with them and will provide each other with the necessary documentation, if required, for the verification of transactions.
  - (11) The two sides will establish a sub-committee which will deal with the implementation arrangements regarding the clearance of VAT revenues set above.
6. VAT paid by not-for-profit Palestinian organizations and institutions, registered by the Palestinian Authority, on transactions in Israel, will accrue to the Palestinian tax administration. The clearance system set out in para 5 will apply to these organizations and institutions.

**Annex IV**  
**Article V**

**INDIRECT TAXES ON LOCAL PRODUCTION**

1. The Israel and the Palestinian tax administrations will levy and collect VAT and purchase taxes on local production, as well as any other indirect taxes, in their respective territorial jurisdictions.
2. The purchase tax rates within the jurisdiction of each tax administration will be identical as regards locally produced and imported goods.
3. The present Israeli VAT rate is 17%. The Palestinian VAT rate will be [I.16%]  
[P. 15%].
4. The Palestinian Authority will decide on the maximum annual turnover for businesses under its jurisdiction to be exempt from VAT, within an upper limit of 12,000 US \$.
5. The VAT on purchases by businesses registered for VAT purposes will accrue to the tax administration with which the respective business is registered.

Businesses will register for VAT purposes with the tax authority of the side of their residence.

There will be clearance of VAT revenues between the VAT administrations of Israel and the Palestinian Authority, on the following conditions :

- a. The VAT clearance will apply to VAT on transactions between businesses registered with the VAT authority of the side in which they reside.
- b. The following procedures will apply to clearance of VAT revenues accruing from transactions by businesses registered for VAT purposes :
  - (1) To be acceptable for clearance purposes, special invoices, clearly marked for this purpose, will be used for transactions between businesses registered with the different sides.
  - (2) The invoices will be worded either in both Hebrew and Arabic or in English and will be filled out in any of these three languages, provided that the figures are written in "Arabic" (not Hindi) numerals.
  - (3) For the purpose of tax rebates, such invoices will be valid for six months from their date of issue.

- (4) Representatives of the two sides will meet once a month, on the \_\_\_\_ th day of the month, to present each other with a list of invoices submitted to them for tax rebate, for VAT clearance. This list will include the following details regarding each invoice :
    - (a) The number of the registered business issuing it ;
    - (b) The name of the registered business issuing it ;
    - (c) The number of the invoice ;
    - (d) The date of issue ;
    - (e) The amount of the invoice ;
    - (f) The name of the recipient of the invoice.
  - (5) The clearance claims will be settled within \_\_\_\_ days from the meeting through a payment, by the side with the net balance of claims against it, to the other side.
  - (6) Each side will provide the other side, upon demand, with invoices for verification purposes. Each tax authority will be responsible for providing invoices for verification purposes for 6 months after receiving them.
  - (7) Each side will take the necessary measure to verify the authenticity of the invoices presented to it for clearance by the other side.
  - (8) Claims for VAT clearance which will not be found valid will be deducted from the next clearance payment.
  - (9) Once an inter-connected computer system for tax rebates to businesses and for VAT clearance between the two sides is operational, it will replace the clearance procedures specified in para (4) - (8).
  - (10) The two tax administrations will exchange lists of the businesses registered with them and will provide each other with the necessary documentation, if required, for the verification of transactions.
  - (11) The two sides will establish a sub-committee which will deal with the implementation arrangements regarding the clearance of VAT revenues set above.
6. VAT paid by not-for-profit Palestinian organizations and institutions, registered by the Palestinian Authority, on transactions in Israel, will accrue to the Palestinian tax administration. The clearance system set out in para 5 will apply to these organizations and institutions.

**Annex IV**  
**Article V**

**INDIRECT TAXES ON LOCAL PRODUCTION**

1. The Israel and the Palestinian tax administrations will levy and collect VAT and purchase taxes on local production, as well as any other indirect taxes, in their respective territorial jurisdictions.
2. The purchase tax rates within the jurisdiction of each tax administration will be identical as regards locally produced and imported goods.
3. The present Israeli VAT rate is 17%. The Palestinian VAT rate will be [I. 16%]  
[P. 15%].
4. The Palestinian Authority will decide on the maximum annual turnover for businesses under its jurisdiction to be exempt from VAT, within an upper limit of 12,000 US \$.
5. The VAT on purchases by businesses registered for VAT purposes will accrue to the tax administration with which the respective business is registered.

Businesses will register for VAT purposes with the tax authority of the side of their residence.

There will be clearance of VAT revenues between the VAT administrations of Israel and the Palestinian Authority, on the following conditions :

- a. The VAT clearance will apply to VAT on transactions between businesses registered with the VAT authority of the side in which they reside.
- b. The following procedures will apply to clearance of VAT revenues accruing from transactions by businesses registered for VAT purposes :
  - (1) To be acceptable for clearance purposes, special invoices, clearly marked for this purpose, will be used for transactions between businesses registered with the different sides.
  - (2) The invoices will be worded either in both Hebrew and Arabic or in English and will be filled out in any of these three languages, provided that the figures are written in "Arabic" (not Hindi) numerals.
  - (3) For the purpose of tax rebates, such invoices will be valid for six months from their date of issue.

- (4) Representatives of the two sides will meet once a month, on the \_\_\_\_ th day of the month, to present each other with a list of invoices submitted to them for tax rebate, for VAT clearance. This list will include the following details regarding each invoice :
    - (a) The number of the registered business issuing it ;
    - (b) The name of the registered business issuing it ;
    - (c) The number of the invoice ;
    - (d) The date of issue ;
    - (e) The amount of the invoice ;
    - (f) The name of the recipient of the invoice.
  - (5) The clearance claims will be settled within \_\_\_\_ days from the meeting through a payment, by the side with the net balance of claims against it, to the other side.
  - (6) Each side will provide the other side, upon demand, with invoices for verification purposes. Each tax authority will be responsible for providing invoices for verification purposes for 6 months after receiving them.
  - (7) Each side will take the necessary measure to verify the authenticity of the invoices presented to it for clearance by the other side.
  - (8) Claims for VAT clearance which will not be found valid will be deducted from the next clearance payment.
  - (9) Once an inter-connected computer system for tax rebates to businesses and for VAT clearance between the two sides is operational, it will replace the clearance procedures specified in para (4) - (8).
  - (10) The two tax administrations will exchange lists of the businesses registered with them and will provide each other with the necessary documentation, if required, for the verification of transactions.
  - (11) The two sides will establish a sub-committee which will deal with the implementation arrangements regarding the clearance of VAT revenues set above.
6. VAT paid by not-for-profit Palestinian organizations and institutions, registered by the Palestinian Authority, on transactions in Israel, will accrue to the Palestinian tax administration. The clearance system set out in para 5 will apply to these organizations and institutions.

**Annex IV  
Article V**

**INDIRECT TAXES ON LOCAL PRODUCTION**

1. The Israeli and the Palestinian tax administrations will levy and collect VAT and purchase taxes on local production, as well as any other indirect taxes, in their respective territorial jurisdictions.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip].

[I. The jurisdiction of the Palestinian tax administration will cover first the Gaza Strip and Jericho Area and later also the rest of the West Bank according to the Interim Agreement and the DOP].

2. The present Israeli VAT rate is 17%. The Palestinian VAT rate will be [I. between 16%-17% ] [P. between 15%-16%].
3. The Palestinian Authority will decide on the maximum turnover for businesses under its jurisdiction to be exempt from VAT, which will not exceed that in Israel.
4. The VAT on purchases by businesses registered for VAT purposes will accrue to the tax administration with which the respective business is registered.

There will be clearance of VAT revenues between the VAT administrations of Israel and the Palestinian Authority, on the following conditions :

- a. The VAT clearance will apply to VAT on transactions between businesses registered with the VAT authority of the side in which they reside, and only to transactions over 500 NIS. This cut-off sum may be reconsidered later by a joint sub-committee on VAT matters.
- b. The principle of VAT revenue clearance will not apply to purchases by final consumers.
- c. The following procedures will apply to clearance of VAT revenues accruing from transactions by businesses registered for VAT purposes:
  - (1) To be acceptable for clearance purposes, special invoices, clearly marked for this purpose, will be used for transactions between businesses registered with the different sides.
  - (2) The invoices will be worded either in both Hebrew and Arabic or in English and will be filled out in any of these three languages, provided that the figures are written in "Arabic" (not Hindi) numerals.

- (3) For the purpose of tax rebates, such invoices will be valid for six months from their date of issue.
  - (4) Representatives of the two sides will meet once a month to present invoices submitted to them for tax rebate, for VAT clearance.
  - (5) The clearance claims will be settled through a payment, by the side with the net balance of claims against it, to the other side.
  - (6) Each side will take the necessary measure to verify the authenticity of the invoices presented to it for clearance by the other side.
  - (7) Claims for VAT clearance which will not be found valid will be deducted from the next clearance payment.
  - (8) Once an inter-connected computer system for tax rebates to businesses and for VAT clearance between the two sides is operational, it will replace the clearance procedures specified in para (4) - (7).
  - (9) The two tax administrations will exchange lists of the businesses registered with them and will provide each other with the necessary documentation, if required, for the verification of transactions.
  - (10) The two sides will establish a sub-committee which will deal with the implementation arrangements regarding the clearance of VAT revenues set hereforth.
5. [P. VAT paid by other Palestinian organizations and institutions on transactions in Israel will accrue to the Palestinian tax administration.]
- [I. Israel will examine this question.]
6. The purchase tax rates within the jurisdiction of each tax administration will be identical as regards locally produced and imported goods.

25/03/94

INDIRECT TAXES ON LOCAL PRODUCTION

1. The Israeli and the Palestinian tax administrations will levy and collect VAT and purchase taxes on local production, as well as any other indirect taxes, in their respective territorial jurisdictions.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip].

[I. The jurisdiction of the Palestinian tax administration will cover first the Gaza Strip and Jericho Area and later also the rest of the West Bank according to the time-table set in the DOP or otherwise agreed].

2. The present Israeli VAT rate is 17%. The Palestinian VAT rate will be within the range of ~~to~~ not less than [1.16%] [p. 15%].

3. The VAT on purchases by business firms registered for VAT purposes will accrue to the administration of the firm making the purchase.

~~tax~~ with jurisdiction over  
The two sides will agree on a set of procedures for effecting the necessary clearance of VAT revenues accruing from transactions by business firms registered for VAT purposes from both sides.

[P. Both sides agree that on the issue of the clearance of the outstanding balance of VAT revenue accruing to the Palestinian side the following arrangements will be used:

- a. Outstanding balance of VAT revenue accruing from local business firms registered for VAT purpose, organizations and institutions' transactions will be cleared within a time frame up to the time period applied in the Israeli VAT system.
- b. The VAT on transaction by individuals will accrue to the tax administration of the place of residence of that individual. Revenues accruing from local transactions of the final consumer will be cleared given that both sides agree to an acceptable system identifying the transaction].

[I. The payment of the balance of VAT revenues cleared in accordance with the procedures referred to above will follow the time schedules affective in Israel, subject to the arrangements reached in the sub-committee for the solution of the relevant technical problems. The sub-committee will conclude its work within a period of six months from the entry into force of this agreement.

The principle of VAT revenue clearance should not apply to purchases of final consumers, both as a matter of principal and in view of implementation difficulties.]

4. [P. VAT paid by other Palestinian organizations and institutions on transactions in Israel will accrue to the Palestinian tax administration.]

[I. Israel will examine this question.]

5. The purchase tax rates <sup>within the jurisdiction of</sup> ~~determined by~~ each tax administration ~~within its jurisdiction~~ will be identical as regards locally produced and imported goods.

24/03/94

Annex IV  
Article V

INDIRECT TAXES ON LOCAL PRODUCTION

1. The Israeli and the Palestinian tax administrations will levy and collect VAT and purchase taxes on local production, as well as any other indirect taxes, in their respective territorial jurisdictions.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip].

[I. The jurisdiction of the Palestinian tax administration will cover first the Gaza Strip and Jericho Area and later also the rest of the West Bank according to the ~~time table set in the DOP~~ or otherwise agreed].

*Interim Agreement and*

2. The present Israeli VAT rate is 17%. The Palestinian VAT rate will be not less than [I. 16%] [P. 15%].
3. The VAT on purchases by business firms registered for VAT purposes will accrue to the tax administration with jurisdiction over the firm making the purchase.

The two sides will agree on a set of procedures for effecting the necessary clearance of VAT revenues accruing from transactions by business firms registered for VAT purposes.

[P. Both sides agree that on the issue of the clearance of the outstanding balance of VAT revenue accruing to the Palestinian Authority the following arrangements will be used:

- a. Outstanding balance of VAT revenue accruing from local business firms registered for VAT purpose, organizations and institutions'



05.04.94

**Annex IV**  
**Article V**

**INDIRECT TAXES ON LOCAL PRODUCTION**

1. The Israeli and the Palestinian tax administrations will levy and collect VAT and purchase taxes on local production, as well as any other indirect taxes, in their respective territorial jurisdictions.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip].

[I. The jurisdiction of the Palestinian tax administration will cover first the Gaza Strip and Jericho Area and later also the rest of the West Bank according to the Interim Agreement and the DOP].

2. The present Israeli VAT rate is 17%. The Palestinian VAT rate will be not less than [I. 16%] [P. 15%].
3. The VAT on purchases by <sup>dealers</sup> business firms registered for VAT purposes will accrue to the tax administration with jurisdiction over the <sup>dealer</sup> firm making the purchase <sup>or rendering the service.</sup>

The two sides will agree on a set of procedures for effecting the necessary clearance of VAT revenues accruing from transactions by ~~business firms~~ <sup>dealers</sup> registered for VAT purposes.

[I. The payment of the balance of VAT revenues cleared in accordance with the procedures <sup>will</sup> referred to above will follow the time schedules affective in Israel, subject to the arrangements <sup>reached in the agreed upon</sup> sub-committee for the solution of the relevant technical problems. The sub-committee will conclude its work within a period of six months from the entry into force of this agreement.

The principle of VAT revenue clearance <sup>will</sup> should not apply to purchases by final consumers, both ~~as a matter of principle and in view of~~ <sup>implementation difficulties.</sup>

[P. Both sides agree that on the issue of the clearance of the outstanding balance of VAT revenue accruing to the Palestinian Authority the following arrangements will be used:

- a. Outstanding balance of VAT revenue accruing from local business firms registered for VAT purpose, organizations and institutions' transactions will be cleared within a time frame up to the time period applied in the Israeli VAT system.

23-3-94  
200 p. 108  
4.1.1994 (2)

## INDIRECT TAXES ON LOCAL PRODUCTION

1. ~~Both parties agreed on a Value Added Tax on local transactions.~~ The present Israeli VAT rate is 17%. The Palestinian rate will be within the range of 12% to 22%.

VAT

levy and

4. The Israeli and the Palestinian tax administrations will collect the VAT and purchase taxes, as well as any other indirect taxes, in their respective jurisdictions.

on local production,

territorial

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip.]

- [I. The jurisdiction of the Palestinian tax administration will cover first the Gaza Strip and Jericho Area and later also the rest of the West Bank according to the time-table set in the DOP or otherwise agreed]

3. The VAT on purchases of business firms registered for VAT purposes will accrue to the tax administration of the purchasing firm making the purchase.

The two sides will agree on a set of procedures for effecting the necessary clearance of VAT revenues accruing from transactions by business firms registered for VAT purposes, from both sides.

[P. Both sides agree that on the issue of the clearance of the outstanding balance of VAT revenue accruing to the Palestinian side the following arrangements will be used :

a) Outstanding balance of VAT revenue accruing from local business firms registered for VAT purposes, organizations and institutions' transactions will be cleared within a time frame up to the time period applied in the Israeli VAT system.

b) The VAT on transaction by individuals will accrue to the tax administration of that individual. Revenues accruing from local transaction<sup>3</sup> of the final consumer will be cleared given that both sides agree to an acceptable system identifying the transaction]

the place of residence

in accordance with the procedures referred to above

[I. The payment of the balance of VAT revenues cleared will follow the time schedules effective in Israel, subject to the arrangements reached in the sub-committee for the solution of

the relevant technical problems. The sub-committee will conclude its work within a period of six months ~~of the signing of this agreement.~~

*from the entry into force*

[The principle of VAT revenue clearance should not apply to purchases of final consumers, both ~~on~~ principal and in view of implementation difficulties.]

*as a matter of*

4. [P. VAT paid by other Palestinian organizations and institutions on transactions in Israel will accrue to the Palestinian tax administration.] [I. Israel will examine this question.]

5. Purchase tax rates on local production and on imports will be identical within the jurisdiction of each tax administration.

*determined*

*to be used*

5 The Purchase tax rates *determined* by each tax administration within its jurisdiction will be identical ~~to~~ locally produced ~~and~~ and ~~as regards~~ imported goods.

INDIRECT TAXES ON LOCAL PRODUCTION

1. Both parties agreed on a Value Added Tax on local transactions. The present Israeli rate is 17%. The Palestinian rate will be within the range of \_\_\_ to \_\_\_.

2. The Israeli and the Palestinian tax administrations will collect the VAT and purchase taxes, as well as any other indirect taxes, in their respective territorial jurisdictions.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip].

[I.

3. The VAT on purchases of business firms registered for VAT purposes will accrue to the administration of the purchasing firm.

The two sides will agree on a set of procedures for effecting the necessary clearance of VAT revenues accruing from transactions by business firms registered for VAT purposes.

[P. Both sides agree that on the issue of the clearance of the outstanding balance of VAT revenue accruing to the Palestinian side the following arrangements will be used:

- a. Outstanding balance of VAT revenue accruing from local business firms registered for VAT purpose, organizations and institutions' transactions will be cleared within a time frame up to the time period applied in the Israeli VAT system.
- b. The VAT on transaction by individuals will accrue to the tax administration of that individual. Revenues accruing from local transaction of the final consumer will be cleared given that both agree to an acceptable system identifying the transaction.

[I. The payment of the balance of VAT revenues cleared will follow the time schedules affective in Israel, subject to the arrangements reached in the sub-committee for the solution of the relevant technical problems. The sub-committee will conclude its work within a period of six months of the signing of this agreement].

The principle of VAT revenue clearance should not apply to purchases of final consumers, both on principal and in view of implementation difficulties.]

4. [P. VAT paid by other Palestinian organizations and institutions on transactions in Israel will accrue Palestinian tax administration.]

[I. Israel will examine this question.]

5. Purchase tax rates on local production and imports will be identical within the jurisdiction of each tax administration.
4. The VAT on purchases of business firms registered for VAT purposes will accrue to the tax administration of the purchasing firm.

The two sides will agree on a set of procedures for effecting the necessary clearance of VAT revenues accruing from transactions by business firms registered for VAT purposes.

[P. VAT revenue clearance should apply also to revenues accruing on purchases of final consumers]. [I. The principle of VAT revenue clearance should not apply to purchases of final consumers, both as a matter of principle and in view of difficulties in implementation].

4.1.1994 (2)

### INDIRECT TAXES ON LOCAL PRODUCTION

1. Both parties agreed on a Value Added Tax on local transactions. The present Israeli rate is 17%. The Palestinian rate will be within the range of 12% to 22%.

2. The Israeli and the Palestinian tax administrations will collect the VAT and purchase taxes, as well as any other indirect taxes, in their respective jurisdictions.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip.]

[I.

3. The VAT on purchases of business firms registered for VAT purposes will accrue to the tax administration of the purchasing firm.

The two sides will agree on a set of procedures for effecting the necessary clearance of VAT revenues accruing from transactions by business firms registered for VAT purposes.

[P. Both sides agree that on the issue of the clearance of the outstanding balance of VAT revenue accruing to the Palestinian side the following arrangements will be used :

a) Outstanding balance of VAT revenue accruing from local business firms registered for VAT purposes, organizations and institutions' transactions will be cleared within a time frame up to the time period applied in the Israeli VAT system.

b) The VAT on transaction by individuals will accrue to the tax administration of that individual. Revenues accruing from local transaction of the final consumer will be cleared given that both agree to an acceptable system identifying the transaction]

[I. The payment of the balance of VAT revenues cleared will follow the time schedules effective in Israel, subject to the arrangements reached in the sub-committee for the solution of

the relevant technical problems. The sub-committee will conclude its work within a period of six months of the signing of this agreement.]

The principle of VAT revenue clearance should not apply to purchases of final consumers, both on principal and in view of implementation difficulties.]

4. [P. VAT paid by other Palestinian organizations and institutions on transactions in Israel will accrue to the Palestinian tax administration.] [I. Israel will examine this question.]

5. Purchase tax rates on local production and on imports will be identical within the jurisdiction of each tax administration.

**INDIRECT TAXES ON LOCAL PRODUCTION**

1. Both parties agreed on a Value Added Tax on local transactions. The present Israeli rate is 17%. The Palestinian rate will be within the range of 12% to 22%.

2. The Israeli and the Palestinian tax administrations will collect the VAT and purchase taxes, as well as any other indirect taxes, in their respective jurisdictions.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip.]

[I.

3. The VAT on purchases of business firms registered for VAT purposes will accrue to the tax administration of the purchasing firm.

The two sides will agree on a set of procedures for effecting the necessary clearance of VAT revenues accruing from transactions by business firms registered for VAT purposes.

[P. Both sides agree that on the issue of the clearance of the outstanding balance of VAT revenue accruing to the Palestinian side the following arrangements will be used :

a) Outstanding balance of VAT revenue accruing from local business firms registered for VAT purposes, organizations and institutions' transactions will be cleared within a time frame up to the time period applied in the Israeli VAT system.

b) The VAT on transaction by individuals will accrue to the tax administration of that individual. Revenues accruing from local transaction of the final consumer will be cleared given that both agree to an acceptable system identifying the transaction]

[I. The payment of the balance of VAT revenues cleared will follow the time schedules effective in Israel, subject to the arrangements reached in the sub-committee for the solution of

the relevant technical problems. The sub-committee will conclude its work within a period of six months of the signing of this agreement.]

The principle of VAT revenue clearance should not apply to purchases of final consumers, both on principal and in view of implementation difficulties.]

4. [P. VAT paid by other Palestinian organizations and institutions on transactions in Israel will accrue to the Palestinian tax administration.] [I. Israel will examine this question.]

5. Purchase tax rates on local production and on imports will be identical within the jurisdiction of each tax administration.

**INDIRECT TAXES ON LOCAL PRODUCTION**

1. Both parties agreed on a Value Added Tax on local transactions. The present Israeli rate is 17%. The Palestinian rate will be within the range of 12% to 22%.

2. The Israeli and the Palestinian tax administrations will collect the VAT and purchase taxes, as well as any other indirect taxes, in their respective jurisdictions.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip.]

[I.

3. The VAT on purchases of business firms registered for VAT purposes will accrue to the tax administration of the purchasing firm.

The two sides will agree on a set of procedures for effecting the necessary clearance of VAT revenues accruing from transactions by business firms registered for VAT purposes.

[P. Both sides agree that on the issue of the clearance of the outstanding balance of VAT revenue accruing to the Palestinian side the following arrangements will be used :

a) Outstanding balance of VAT revenue accruing from local business firms registered for VAT purposes, organizations and institutions' transactions will be cleared within a time frame up to the time period applied in the Israeli VAT system.

b) The VAT on transaction by individuals will accrue to the tax administration of that individual. Revenues accruing from local transaction of the final consumer will be cleared given that both agree to an acceptable system identifying the transaction]

[I. The payment of the balance of VAT revenues cleared will follow the time schedules effective in Israel, subject to the arrangements reached in the sub-committee for the solution of

the relevant technical problems. The sub-committee will conclude its work within a period of six months of the signing of this agreement.]

The principle of VAT revenue clearance should not apply to purchases of final consumers, both on principal and in view of implementation difficulties.]

4. [P. VAT paid by other Palestinian organizations and institutions on transactions in Israel will accrue to the Palestinian tax administration.] [I. Israel will examine this question.]

5. Purchase tax rates on local production and on imports will be identical within the jurisdiction of each tax administration.

4.1.1994 (2)

### INDIRECT TAXES ON LOCAL PRODUCTION

1. Both parties agreed on a Value Added Tax on local transactions. The present Israeli rate is 17%. The Palestinian rate will be within the range of 12% to 22%.

2. The Israeli and the Palestinian tax administrations will collect the VAT and purchase taxes, as well as any other indirect taxes, in their respective jurisdictions.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip.]

[I.

3. The VAT on purchases of business firms registered for VAT purposes will accrue to the tax administration of the purchasing firm.

The two sides will agree on a set of procedures for effecting the necessary clearance of VAT revenues accruing from transactions by business firms registered for VAT purposes.

[P. \*

b. [P. The VAT on transaction by individuals will accrue to the tax administration of that individual.]

[I. + + +

The principle of VAT revenue clearance should not apply to purchases of final consumers, both on principal and in view of implementation difficulties.]

4. [P. VAT paid by other Palestinian organizations and institutions on transactions in Israel will accrue to the Palestinian tax administration.] [I. Israel will examine this question.]

5. Purchase tax rates on local production and on imports will be identical within the jurisdiction of each tax administration. the same

The time lag and frequency with which the clearance of the outstanding balance of VAT receipts will be made will be determined in a technical sub-committee, with the intent of bringing them in line with the accepted practice in Israel.

The procedures will include the time frame for the clearance of the outstanding balance of VAT receipts, which will depend on the technical arrangements made for the verification of the relevant data. The two sides will aim to attain the goal of the monthly and two-monthly clearances practised in Israel.

2/10/02  
E. The payment of the balance of VAT revenues cleared will follow the time schedules effective in Israel, subject to the arrangements reached in the sub-committee for the solution of the relevant technical problems. The sub-committee will conclude its work within a period of six months of the signing of this agreement;

3 202

24

[P.]

\*

Both sides agree that on the issue of the clearance of the outstanding balance of VAT revenue accruing to the Palestinian side the following arrangements will be used: -

- a). Outstanding balance of VAT revenue accruing from local business & firms registered for VAT purposes, organizations and institutions transactions will be cleared within a ~~time~~ time frame up to the time period applied in the Israeli VAT system.

b) ~~11~~ Revenues accruing from local transaction of the ~~last~~ <sup>final</sup> consumer will be cleared given that both agree to an acceptable system identifying the transaction.

4.1.1994

## INDIRECT TAXES ON LOCAL PRODUCTION

1. Both parties agreed on a Value Added Tax on local transactions. The present Israeli rate is 17%. The Palestinian rate will be within the range of 12% to 22%. ✓

1.5. Purchase tax rates on local production and on imports will be identical.

2. The Israeli and the Palestinian tax administrations will collect the VAT and purchase taxes, as well as any other indirect taxes, in their respective jurisdictions.

[P. The jurisdiction of the Palestinian tax administration will cover the whole West Bank and Gaza Strip]

3. The VAT on purchases of business firms registered for VAT purposes will accrue to the tax administration of the purchasing firm.

The two sides will agree on a set of procedures for effecting the necessary clearance of VAT revenues accruing from transactions by business firms registered for VAT purposes.

[P. VAT revenue clearance should apply also to revenues accruing on purchases of final consumers]. [I. The principle of VAT revenue clearance should not apply to purchases of

final consumers, both as a matter of principle and in view of difficulties in implementation].

? 2. [I.

3 [P. The VAT on ~~per~~ transaction by individuals will accrue to the tax administration of that individual.]

4. [P. VAT paid by other Palestinian organizations and institutions on transactions in Israel or will accrue to the Palestinian tax administration.]  
[I. Israel will examine this question]



# האוניברסיטה העברית בירושלים

תאריך 3.4.84

אל: ואני הקר

מאת: ארבע קליטון

הנדון: חילוק

PURCHASE TAXES מס קנייה (1)

PURCHASING קנייה

Excises באקסס (2)

EXCISE TAXES באקסס

חלוקה לטובת או חסימת (באקסס).

ל.ר. סוכן הדפוס! טפס זה מוערך להחזרתו בכתב יד.

2.4.20

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28/04/94

### DIRECT TAXATION

1. Israel and the Palestinian Authority will each determine and regulate independently its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.
2. Each tax administration will have the right to levy the direct taxes generated by economic activities within its ~~territorial jurisdiction~~ *area*.
3. Each tax administration may impose additional taxes on residents within its ~~territorial jurisdiction~~ *area* (individuals and corporations) who conduct economic activities in the other side's territorial jurisdiction.
4. Israel will transfer to the Palestinian Authority a sum equal to:
  - a. 75% of the income taxes collected from Palestinians from the Gaza Strip and the Jericho Area employed in Israel.
  - b. The full amount of income taxes collected from Palestinians from the Gaza Strip and Jericho Area employed in the settlements.
5. The two sides will agree on a set of procedures that will address all issues concerning double taxation.

18/04/94

**Annex IV**  
**Article IV**

**DIRECT TAXATION**

1. Israel and the Palestinian Authority will each determine and regulate independently its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.
2. Each tax administration will have the right to collect the direct taxes generated by economic activities within its territorial jurisdiction.
3. Each tax administration may impose additional taxes on residents within its territorial jurisdiction (individuals and corporations) who conduct economic activities in the other side's territorial jurisdiction.
4. Israel will transfer to the Palestinian Authority amounts equal to:
  - a. 75% of the income taxes collected from Palestinians from the Gaza Strip and the Jericho Area employed in Israel.
  - b. The full amount of income taxes collected from Palestinians from the Gaza Strip and Jericho Area employed in the settlements.
5. The two sides will agree on a set of procedures that will address all issues concerning double taxation.

10 25

11/04/94 17:26 (Final version)

**Annex IV  
Article IV**

**DIRECT TAXATION**

1. Israel and the Palestinian Authority will each determine and regulate independently its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.
2. Each tax administration will have the right to collect the direct taxes generated by economic activities within its territorial jurisdiction.
3. Each tax administration may impose additional taxes on residents within its territorial jurisdiction (individuals and corporations) who conduct economic activities in the other side's territorial jurisdiction.
4. *Israel will transfer to*  
~~The Palestinian authority has the right to:~~ *amounts equal to:*
  - a. 75% of the income taxes collected from Palestinians from the Gaza Strip and the Jericho Area employed in Israel.
  - b. The full amount of income taxes collected from Palestinians from the Gaza Strip and Jericho Area employed in the settlements.
5. The two sides will agree on a set of procedures that will address all issues concerning double taxation.
6. The jurisdiction of the Palestinian tax administration will cover the West Bank and Gaza Strip according to the terms of the early empowerment as soon as it comes into force.

2/10/94

07/04/94 23:50 (Final version)

**Annex IV**  
**Article IV**

**DIRECT TAXATION**

1. Israel and the Palestinian Authority will each determine and regulate independently its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.
2. Each tax administration will have the right to collect the direct taxes generated by economic activities within its territorial jurisdiction.
3. Each tax administration may impose additional taxes on residents within its territorial jurisdiction (individuals and corporations) who conduct economic activities in the other side's territorial jurisdiction.
4. The Palestinian authority has the right to:
  - a. 75% of the income taxes collected from Palestinians from the Gaza Strip and the Jericho Area employed in Israel.
  - b. The full amount of income taxes collected from Palestinians from the Gaza Strip and Jericho Area employed in the settlements.
5. The two sides will agree on a set of procedures that will address all issues concerning double taxation.
6. The jurisdiction of the Palestinian tax administration will cover the West Bank and Gaza Strip according to the terms of the early empowerment as soon as it comes into force.

## DIRECT TAXATION

1. All authorities powers and responsibilities regarding direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees, will be transferred to the P.A., to be carried out in accordance with the principles and arrangements set out in Annex IV.

## INDIRECT TAXATION ON LOCAL PRODUCTION

1. All authorities, powers and responsibilities regarding indirect taxation, including VAT and purchase and excise taxes on local production, will be transferred to the P.A., to be carried out in accordance with the principles and arrangements set out in Annex IV.

05.04.94

**Annex IV**  
**Article IV**

**DIRECT TAXATION**

1. Israel and the Palestinian Authority will each determine and regulate independently its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.

2. Each tax administration will have the right to collect the direct taxes generated by economic activities within its territorial jurisdiction.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip].

[I. The jurisdiction of the Palestinian tax administration will cover first the Gaza Strip and Jericho Area. Arrangements pertaining to the transfer of authorities regarding direct taxation in the rest of the West Bank will be discussed within the framework of the early empowerment negotiations.]

3. Each tax administration may impose additional taxes on residents within its territorial jurisdiction (individuals and corporations) who conduct economic activities in the other side's territorial jurisdiction.

4. [P. The Palestinian authority has the right to the income taxes collected from -

- a. Palestinian from the West Bank and Gaza Strip working in Israel.
- b. Palestinian from the West Bank and Gaza Strip working in the settlements.]

[I. The general principle of para 2 will apply here as well].

5. The two sides will agree on a set of procedures that will address all issues concerning double taxation.
6. Administrative and legal proceedings concerning the assessment, collection and enforcement of taxes on Israelis in the territory under the jurisdiction of the Palestinian Authority will be conducted subject to the provisions of annex III.

05.04.94

**Annex IV**  
**Article IV**

**DIRECT TAXATION**

1. Israel and the Palestinian Authority will each determine and regulate independently its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.

2. Each tax administration will have the right to collect the direct taxes generated by economic activities within its territorial jurisdiction.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip].

[I. The jurisdiction of the Palestinian tax administration will cover first the Gaza Strip and Jericho Area. Arrangements pertaining to the transfer of authorities regarding direct taxation in the rest of the West Bank will be discussed within the framework of the early empowerment negotiations.]

3. Each tax administration may impose additional taxes on residents within its territorial jurisdiction (individuals and corporations) who conduct economic activities in the other side's territorial jurisdiction.

4. [P. The Palestinian authority has the right to the income taxes collected from -

- a. Palestinian from the West Bank and Gaza Strip working in Israel.
- b. Palestinian from the West Bank and Gaza Strip working in the settlements.]

[I. The general principle of para 2 will apply here as well].

5. The two sides will agree on a set of procedures that will address all issues concerning double taxation.

6. Administrative and legal proceedings concerning the assessment, collection and enforcement of taxes on Israelis in the territory under the jurisdiction of the Palestinian Authority will be conducted subject to the provisions of annex III.

Annex IV  
Article IV

DIRECT TAXATION

1. Israel and the Palestinian Authority will each determine and regulate independently its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.
2. Each tax administration will have the right to collect the direct taxes generated by economic activities within its territorial jurisdiction.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip].

[I. The jurisdiction of the Palestinian tax administration will cover first the Gaza Strip and Jericho Area. Arrangements pertaining to the transfer of authorities regarding direct taxation in the rest of the West Bank will be discussed within the framework of the early empowerment negotiations.]

3. Each tax administration may impose additional taxes on residents within its territorial jurisdiction (individuals and corporations) who conduct economic activities in the other side's territorial jurisdiction.
4. [P. The Palestinian authority has the right to the income taxes collected from -
  - a. Palestinian from the West Bank and Gaza Strip working in Israel.
  - b. Palestinian from the West Bank and Gaza Strip working in the settlements.]

[I. The general principle of para 2 will apply here as well].

5. The two sides will agree on a set of procedures that will address all issues concerning double taxation.
6. Administrative and legal proceedings<sup>10</sup> concernening the assessment, collection and enforcement of taxes on Israelis in the territory under the jurisdiction of the Palestinian Authority will be conducted subject to the provisions of annex III.

Annex —  
article —

20/02/94

DIRECT TAXATION

1. Israel and the Palestinian Authority will each determine and regulate independently its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.
2. Each tax administration will have the right to collect the direct taxes generated by economic activities within its territorial jurisdiction.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip].

[I. The jurisdiction of the Palestinian tax administration will cover first the Gaza Strip and Jericho Area. Arrangements pertaining to the transfer of authorities regarding direct taxation in the rest of the West Bank will be discussed within the framework of the early empowerment negotiations.]

3. Each tax administration may impose additional taxes on its residents (individuals and corporations) who conduct economic activities in the other sides' territorial jurisdiction.
4. [P. The Palestinian authority has the right to the income taxes collected from -
  - a. Palestinian from the West Bank and Gaza Strip working in Israel.
  - b. Palestinian from the West Bank and Gaza Strip working in the settlements.]

[I. The general principle of para 2 will apply here as well].

5. The two sides will agree on a set of procedures that will address all issues concerning double taxation.

## DIRECT TAXATION

1. Israel and the Palestinian Authority will each determine and regulate independently its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.

2. Each tax administration will have the right to collect the direct taxes generated by economic activities within its territorial jurisdiction.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip.]

[I The jurisdiction of the Palestinian tax administration will cover first the Gaza Strip and Jericho Area. Arrangements pertaining to the transfer of authorities regarding direct taxation in the rest of the West Bank will be discussed within the framework of the early empowerment negotiations.]

3. Each tax administration may impose additional taxes on its residents (individuals and corporations) who conduct economic activities in the other sides' territorial jurisdiction.

4. [P. The Palestinian Authority has the right to the income taxes collected from -  
a) Palestinians from the West Bank and Gaza Strip working in Israel  
b) Palestinians from the West Bank and Gaza Strip working in the settlements.

[I. The general principle of para 2 will apply here as well].

5. The two sides will agree on a set of procedures that will address all issues concerning double taxation.

22/7 26/10 20/11  
1998

4.1.1994

## DIRECT TAXATION

1. Israel and the Palestinian Authority will each determine and regulate independently its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.

2. Each tax administration will have the right to collect the direct taxes generated by economic activities within its tax jurisdiction.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip.]

[I. After the withdrawal from the Gaza Strip and Jericho Area, the jurisdiction of the Palestinian tax administration will cover the West Bank and Gaza Strip.]

3. [P. The Palestinian Authority has the right to the income taxes collected from -  
a) Palestinians from the West Bank and Gaza Strip working in Israel  
b) Palestinians from the West Bank and Gaza Strip working in the settlements.

[I. The general principle of para 2 will apply here as well].

4. The two sides will agree on a set of procedures that will address all issues concerning double taxation.

14.2.94  
4.1.1994

## DIRECT TAXATION

1. Israel and the Palestinian Authority will each determine and regulate independently its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.

2. Each tax administration will have the right to collect the direct taxes generated by economic activities within its tax jurisdiction.

[P. The jurisdiction of the Palestinian tax administration covers the whole West Bank and Gaza Strip.]

[I. After the withdrawal from the Gaza Strip and Jericho Area, the jurisdiction of the Palestinian tax administration will cover the West Bank and Gaza Strip.]

3. [P. The Palestinian Authority has the right to the income taxes collected from -

a) Palestinians from the West Bank and Gaza Strip working in Israel

b) Palestinians from the West Bank and Gaza Strip working in the settlements.

[I. The general principle of para 2 will apply here as well].

4. The two sides will agree on a set of procedures that will address all issues concerning double taxation.

3. Each tax authority may impose additional taxes on its residents (individuals and corporations) who conduct economic activities in the other party side's area.

[I. Arrangements pertaining to the transfer of authorities regarding direct taxation in the rest of the West Bank will be discussed within the framework of the early empowerment negotiations.]

מוגבל  
דחוף ע"י פקס

מפקדת פרקליט צבאי ראשי  
ע' הפצ"ר לדין בינלאומי  
טל: 2925, 2912, 03-5692097  
פקס: 5696564, 03-5692817  
חק 33 (1200/9) 028)  
אדר ושנ"ד  
1994 פברואר 14



משרד האוצר - היועמ"ש

מזמם הפעולות באיו"ש ובאזח"ע  
משרד האוצר - תצמונה על הכנסות ומדינה  
נציב מט הכנסה  
רמ"א איו"ש  
יועמ"ש איו"ש  
חפ"ש - רע"ן כלכלה

הנדון: טיוטת סיכום בענין מיסוי ישיר

1. קיבלנו לידינו את טיוטת הסיכום בענין מיסוי ישיר מיום 4 בינואר 94 העומדת לדיון בוועדה הכלכלית.
2. בסעיף 2 סיפא נקבע לפי הנוסח הישראלי, כי הסמכות של מינהל המיסים הפלסטיני בעזה יריחו תשתרע גם על איו"ש לאחר הנסיגה מעזה יריחו.
3. אף שהרעיון ברור נראה כי הניסוח אינו מדויק ועל כל פנים אינו עולה בקנה אחד עם הסכם קאהיר שבו נקבע כי העברה המוקדמת של הסמכויות באיו"ש (ובכלל זה המיסוי הישיר) תידון לאחר השלמת הסכם עזה יריחו. כמובן שאין מדובר בהעברה אוטומטית הנגזרת מן הנסיגה אלא היא כפופה להסכם שיגובש בענין זה.

4. יצוין כי בארבע החזומים האחרים המועמדים להעברה מוקדמת כבר הושג סיכום בטאבה ובאף אחד מהם אין איזכור של הרחבת ההסדר לאיו"ש. מטעם זה רצוי להמנע מלאזכר אותו במסמך לגבי מיסוי ישיר, ולו לשם אחידות הנוסח. אין צריך לאמר כי הפלסטינים הסכימו לכך והסכם קאהיר מעגן מחדש הסכמה זו.

5. אם בכל זאת אדם מוצאים לנכון לשלב הוראה בעניין סמכות המיסוי באיו"ש, מוצע לנסח זאת כלהלן :

"ARRANGEMENTS PERTAINING TO THE TRANSFER OF AUTHORITIES REGARDING DIRECT TAXATION IN THE REST OF THE WEST BANK, WILL BE DISCUSSED WITHIN THE FRAMEWORK OF THE EMPOWERMENT NEGOTIATIONS".

6. אגב כך, מהרישא של סעיף 2 לטיוטת הסיכום עולה כי ישראלים המנהלים פעילות כלכלית באזור שחת הסמכות הטריטוריאלית של הרשות הפלסטינית ימוסו על ידי הרשות, אף כי לא ברורה משמעות המונח "TAX JURISDICTION" נבקש להעיר כי אין אחידות בין סיכום זה, שהומלץ על ידי הועדה שבחנה הנושא בנציבות מס הכנסה, לבין העמדה שהביע ראה"מ לפיה ככלל ישראלים לא יהיו נתונים לסמכות בתי המשפט הפלסטינים, ומוצע לגבש עמדה כוללת לגבי סוגיית הישראלים בעזה ויריחו. מכל מקום גם בעקרון האמור יש לקבוע סייגים, ולכן מוצע להוסיף בסוף הרישא של סעיף 2 - "SUBJECT TO ARRANGEMENTS TO BE AGREED UPON".

אחז בן - ארי , אל"מ  
ע' הפצ"ר לדיון בינלאומי  
בשם הפרקליט הצבאי הראשי

אבא/חג  
סיכום

[P. The jurisdiction of the Palestinian Authority covers the whole West Bank and Gaza Strip

[I. After the withdrawal from the Gaza Strip and Jerico area, the jurisdiction of the PA ad ... 3.1.1994]

### DIRECT TAXATION

1. Israel and the Palestinian Authority will each determine and regulate its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees. *independently*

2. Each tax administration will have the right to collect the direct taxes generated by economic activities within its tax jurisdiction. [P. The jurisdiction of the Palestinian tax authority to include also the collection of income taxes on Palestinians working in Israel and in the settlements]. [I. The general principle of (2) should apply here as well]. ✓ (3)

3. The two sides will agree on a set of procedures that will address all issues concerning double taxation. ✓

### INDIRECT TAXES ON LOCAL PRODUCTION

~~Israel and the Palestinian Authority~~

1. ~~Both sides~~ agreed on a Value Added Tax on local transactions. The present Israeli rate is 17%. The Palestinian rate will be within the range of 12% to 22%.

2. Purchase tax rates on local production and on imports will be identical.

3. The Israeli and the Palestinian tax administrations will collect the VAT and purchase taxes, as well as any other indirect taxes, in their respective jurisdictions.

4. The VAT on purchases of business firms registered for VAT purposes will accrue to the tax administration of the purchasing firm.

The two sides will agree on a set of procedures for effecting the necessary clearance of VAT revenues accruing from transactions by business firms registered for VAT purposes. [P. VAT revenue clearance should apply also to revenues accruing on purchases of final consumers]. [I. The principle of VAT revenue clearance should not apply to purchases of final consumers, both as a matter of principal and in view of difficulties in implementation].

### DIRECT TAXATION

1. Israel and the Palestinian Authority will each determine and regulate its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.
2. Each tax administration will have the right to collect the direct taxes generated by economic activities within its tax jurisdiction. [P. The jurisdiction of the Palestinian tax authority to include also the collection of income taxes on Palestinians working in Israel and in the settlements]. [I. The general principle of (2) should apply here as well].
3. The two sides will agree on a set of procedures that will address all issues concerning double taxation.

### INDIRECT TAXES ON LOCAL PRODUCTION

1. Both sides agreed on a Value Added Tax on local transactions. The present Israel rate is 17%. The Palestinian rate will be within the range of 12% to 22%.
2. Purchase tax rates on local production and on imports will be identical.
3. The Israeli and the Palestinian tax administrations will collect the VAT and purchase taxes, as well as any other indirect taxes, in their respective jurisdictions.
4. The VAT on purchases of business firms registered for VAT purposes will accrue to the tax administration of the purchasing firm.

The two sides will agree on a set of procedures for effecting the necessary clearance of VAT revenues accruing from transactions by business firms registered for VAT purposes.

[P. VAT revenue clearance should apply also to revenues accruing on purchases of final consumers]. [I. The principle of VAT revenue clearance should not apply to purchases of final consumers, both as a matter of principle and in view of difficulties in implementation].

16.12.1993

## **DIRECT TAXES**

1. The Palestinian Tax Administration will determine its own policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.
2. The Palestinian Tax Administration and the Israeli tax authorities will each collect the direct taxes resulting from economic activities conducted in each party's area.
3. A sub-committee of the Joint Economic Committee will be established to discuss all issues concerning double taxation.

16.12.93

~~FISCAL SUB-COMMITTEE~~

DIRECT TAXATION

1. ~~The Israeli and the Palestinian tax authorities agree that each authority will determine and regulate its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.~~ <sup>authority</sup>
2. Each tax <sup>administration</sup> ~~authority~~ will have the right to collect the direct taxes generated by economic activities within its tax jurisdiction. [P]: The jurisdiction of the Palestinian tax authority to include also the collection of income taxes on Palestinians working in Israel. [I]: The general principle of (2) should apply here as well.
3. The two sides will agree on a set of procedures that will address all issues concerning double taxation.
4. ~~The two sides raised other issues which [:::::::::::::????].~~

INDIRECT TAXES ON LOCAL PRODUCTION

1. ~~[The Israeli and the Palestnian tax authorities agree to]~~ <sup>authority</sup> ~~impose~~ <sup>will +</sup> a Value Added Tax on local transations at a rate which will not differ by more than plus minus 5 per cent from the present one.
2. Purchase tax rates on local production and on imports will be identical.
3. The Israeli and the Palestnian tax <sup>administrations</sup> ~~authorities~~ will collect the VAT and purchase taxes, as well as any other indirect taxes, in their respective area.
4. ~~[The Israeli and the Palestnian tax authorities agree on the principle of VAT on purchases of business firms registered for VAT purposes accruing to the tax authority of the purchasing firm.]~~ <sup>will</sup> <sup>administration</sup>
5. The two sides will agree on a set of procedures for effecting the neccessary clearance of VAT revenues accruing from transactions by business firms registered for VAT purposes. ~~[P]X~~ VAT revenue clearance according to (4) should apply also to renvenues accruing on purchases of final consummers. ~~[I]X~~ The principle of VAT revenue clearance should not apply to purchases of final consumers, both as a matter of principle and in view of difficulties in implementation.]

16.12.93

## FISCAL SUB-COMMITTEE

### DIRECT TAXATION

1. ~~The Israeli and the Palestinian tax authorities agree that each authority will determine and regulate its own tax policy in matters of direct taxation, including income tax on individuals and corporations, property taxes, municipal taxes and fees.~~ <sup>authority</sup>
2. Each tax <sup>administration</sup> authority will have the right to collect the direct taxes generated by economic activities within its tax jurisdiction. [P]: The jurisdiction of the Palestinian tax authority to include also the collection of income taxes on Palestinians working in Israel. [I]: The general principle of (2) should apply here as well.
3. The two sides will agree on a set of procedures that will address all issues concerning double taxation.
4. ~~The two sides raised other issues which [.....].~~

### INDIRECT TAXES ON LOCAL PRODUCTION

1. ~~The Israeli and the Palestinian tax authorities agree to~~ <sup>authority</sup> impose a Value Added Tax on local transactions at a rate which will not differ by more than plus minus 5 per cent from the present one. <sup>will</sup>
2. Purchase tax rates on local production and on imports will be identical.
3. The Israeli and the Palestinian tax <sup>administrations</sup> authorities will collect the VAT and purchase taxes, as well as any other indirect taxes, in their respective area.
4. ~~The Israeli and the Palestinian tax authorities agree on the principle of~~ VAT on purchases of business firms registered for VAT purposes <sup>will</sup> accruing to the tax <sup>administration</sup> authority of the purchasing firm.
5. The two sides will agree on a set of procedures for effecting the necessary clearance of VAT revenues accruing from transactions by business firms registered for VAT purposes. [P] VAT revenue clearance according to (4) should apply also to revenues accruing on purchases of final consumers. [I] The principle of VAT revenue clearance should not apply to purchases of final consumers, both as a matter of principle and in view of difficulties in implementation.]

## **ANNEX - FISCAL ISSUES**

### **ARTICLE I - GENERAL**

The Palestinian Authority will establish a Tax Administration for the Gaza Strip and Jericho Area.

### **ARTICLE II - DIRECT TAXES**

1. The Palestinian Tax Administration will have the power to determine its own policy as to direct taxation, inter alia income tax of individuals and corporations, property taxes, municipal taxes and fees.

2. The Palestinian Tax Administration and the Israeli tax authorities will each collect those taxes resulting from economic activities conducted in each party's area.

3. Each Tax Authority may impose additional taxes on its residents (individuals and corporations) who conduct economic activities in the other party's area.

4. A joint technical sub-committee of the Joint Economic Committee will be established to discuss all issues concerning double taxation.

### **ARTICLE III - IMPORT TAXES**

1. Both sides will employ the same rates of import taxation and the same policy of importation, including licensing, standardization, evaluation of prices of imports for the purposes of customs, etc.

2. Final determination in matters listed in para. 1 rests with Israel.

3. In consideration of Palestinian economic needs and within the power of final determination, Israel will decide on changes in the following areas :

a. A list of Arab states from which importation to the Gaza Strip and Jericho Area, will be allowed, according to Article III in the Annex concerning importation from Arab states.

b. Import taxes on private cars imported for the use of residents of the Gaza Strip and Jericho Area will be determined by the Palestinian Tax Administration.

4. When determining its import policies, Israel will also consider the Palestinian needs.

5. The sharing of revenues accrued from importation to Israel and to the Gaza Strip and Jericho Area will be on the basis of the identity of the importers (individuals and corporations). During a transitional period of 6 months, revenues from importation will be appropriated to the Palestinian Authority even if the importation was conducted by Israeli importers but was clearly destined to individuals or corporations in the Gaza Strip and Jericho Area.





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