

<b>Country/entity</b>	Israel Palestine
<b>Region</b>	Middle East and North Africa
<b>Agreement name</b>	Annex V, Protocol on Economic Relations, Israeli Palestinian Interim Agreement on The West Bank and the Gaza Strip (Oslo II)
<b>Date</b>	28 Sep 1995
<b>Agreement status</b>	Multiparty signed/agreed
<b>Interim arrangement</b>	Yes

**Agreement/conflict level** Intrastate/intrastate conflict

### Arab-Israeli Conflicts (1948 - )

This conflict involves Israelis and Palestinians over territory and belonging and has long historical antecedents. The agreements post-1990 are between the Palestinian Liberation Organisation (PLO) and Israel, with some supporting inter-state agreements (i.e. between Israel and Jordan). More recently the importance of the once dominating Palestinian Liberation Organisation (PLO) has diminished not in the least due to the effective disappearance of its left-wing members and the loss of the popularity of their political wing, Fatah. Hamas and other Islamic groups have attained significant relevance in Fatah's stead, with Hamas controlling the Gaza strip (from which Israel ultimately unilaterally withdrew (not coded as a peace agreement).

Geo-political implications of the conflict have been considerable across the MENA region.  
Close  
Arab-Israeli Conflicts (1948 - )

<b>Stage</b>	Framework/substantive - partial
<b>Conflict nature</b>	Government/territory
<b>Peace process</b>	Israel-Palestine peace process
<b>Parties</b>	Israel, signed for by Yitzhak Rabin and Shimon Peres; PLO, signed for by Yasser Arafat;
<b>Third parties</b>	William Clinton, U.S. President; Warren Christopher, U.S.; Amr Moussa, Egypt; Bjoern Tore Godal, Norway; Andrei V. Kozyrev, Russia; Hussein Ibn Talal, Jordan; Felipe Gonzalez, EU;
<b>Description</b>	The annex details the jurisdictions and limitations on taxation of Palestinian and Israeli inhabitants in both Israel and Palestine, how cross border taxation functions, the transfer of funds from Israel for administration, etc.

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**Agreement document** [IL\\_PS\\_950928\\_Annex\\_V\\_Protocol on Economic Relations.pdf \(opens in new tab\) | Download PDF](#)

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## Groups

**Children/youth** No specific mention.

**Disabled persons** No specific mention.

**Elderly/age** No specific mention.

**Migrant workers** No specific mention.

**Racial/ethnic/  
national group** No specific mention.

**Religious groups** No specific mention.

**Indigenous people** No specific mention.

**Other groups** No specific mention.

**Refugees/displaced  
persons** No specific mention.

**Social class** No specific mention.

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## Gender

**Women, girls and  
gender** No specific mention.

**Men and boys** No specific mention.

**LGBTI** No specific mention.

**Family** No specific mention.

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**State definition**

**Nature of state (general)** No specific mention.

**State configuration** No specific mention.

**Self determination** No specific mention.

**Referendum** No specific mention.

**State symbols** No specific mention.

**Independence/ secession** No specific mention.

**Accession/ unification** No specific mention.

**Border delimitation** No specific mention.

**Cross-border provision** No specific mention.

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## **Governance**

**Political institutions (new or reformed)** No specific mention.

**Elections** No specific mention.

**Electoral commission** No specific mention.

**Political parties reform** No specific mention.

**Civil society** No specific mention.

**Traditional/religious leaders** No specific mention.

**Public administration** No specific mention.

**Constitution** No specific mention.

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## **Power sharing**

**Political power sharing** No specific mention.

**Territorial power sharing** No specific mention.

**Economic power sharing** Power sharing→Economic power sharing→Fiscal federalism  
Page 2, Appendix 1 - Replacing Article V of the Protocol on Economic Relations  
Article V, Direct Taxation  
4. Israel will transfer to the Palestinian side a sum equal to:  
a. 75% of the income taxes collected from Palestinians from the West Bank and the Gaza Strip employed in Israel.  
b. The full amount of the income taxes collected from Palestinians from the West Bank and the Gaza Strip employed in the Settlements.

**Military power sharing** No specific mention.

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## **Human rights and equality**

**Human rights/RoL general** No specific mention.

**Bill of rights/similar** No specific mention.

**Treaty incorporation** No specific mention.

**Civil and political rights** No specific mention.

**Socio-economic rights** No specific mention.

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## **Rights related issues**

**Citizenship** No specific mention.

**Democracy** No specific mention.

**Detention procedures** No specific mention.

**Media and communication** No specific mention.

**Mobility/access** No specific mention.

**Protection measures** No specific mention.

**Other** No specific mention.

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## **Rights institutions**

**NHRI** No specific mention.

**Regional or international human rights institutions** No specific mention.

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## **Justice sector reform**

**Criminal justice and emergency law** No specific mention.

**State of emergency provisions** No specific mention.

**Judiciary and courts** No specific mention.

**Prisons and detention** No specific mention.

**Traditional Laws** No specific mention.

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## **Socio-economic reconstruction**

**Development or socio-economic reconstruction** No specific mention.

**National economic plan** No specific mention.

**Natural resources** No specific mention.

**International funds** No specific mention.

## Business

Page 2, Appendix 1 - Replacing Article V of the Protocol on Economic Relations  
Article V, Direct Taxation

1. Israel and the Palestinian side 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.

...3. Each tax administration may impose additional taxes on its residents (individuals and corporations) who conduct economic activities in areas under the tax responsibility of the other side.

Page 3, Appendix 2 - Replacing Article VI of the Protocol on Economic Relations  
Article VI, Indirect Taxes on Local Production

c. Special cases of dealers having ongoing operations in the other side without having a permanent place of business there, will be dealt with by the joint committee established according to paragraph 11 below, upon a request of either side.

d. Each side will provide the other side, upon request, information concerning sales of specific dealers from one side to specific dealers from the other side. Israel will provide the Palestinian tax administration assistance in collecting information concerning the activities in Israel of Palestinian dealers registered for VAT purposes with the Palestinian VAT administration having ongoing operations in Israel, and will enable Palestinian inspectors to follow their activities in Israel, as necessary for tax enforcement purposes and allowed by law.

6. The VAT on purchases by dealers registered for VAT purposes will accrue to the VAT administration with which the dealer is registered.

7. The principles set out in paragraphs 1-6 of this Article shall also apply to wage and profit tax on financial institutions.

8. There will be clearance of VAT revenues between the Israeli side and the Palestinian side according to the following conditions:

a. The VAT clearance will apply to VAT on transactions between dealers registered with different VAT administrations.

b. The following procedures will apply to clearance of VAT revenues accruing from transactions by dealers registered for VAT purposes:

(1) For transactions between dealers registered with the different VAT administrations special invoices, clearly marked for this purpose must be used, and they will be accepted for clearance purposes.

## Taxation

Socio-economic reconstruction→Taxation→Power to tax

Page 1, 1. The clearance of revenues from all import taxes and levies and from excise on fuel products between Israel and the Council, according to this Agreement, will come into full force on the date of completion of the first phase of the redeployment of the Israeli military forces prior to the elections, i.e., 22 days before the day of elections (hereinafter "the said date"). However, in view of the special needs of the Palestinian Authority and in order to assist it in covering current expenses, Israel has agreed to transfer to the Palestinian Authority:

- a. One month after the signing of this Agreement - 50% of the revenues collected during this month from import taxes on goods, the final destination of which is the West Bank, and from excise on petroleum purchased by the Palestinian side for the West Bank.
- b. Two months after the signing of this Agreement - 50% of the revenues collected during the previous month from import taxes and petroleum excise as aforesaid.
- c. On the said date - 100% of the revenues collected during the period since the previous payment according to subparagraph b. above, from import taxes and petroleum excise as aforesaid.

2. In addition, on the said date Israel will transfer to the Palestinian Authority 15 million NIS as an advance payment in respect of the remaining surplus of the Civil Administration's budget as mentioned in paragraph 2 of Article 39 (Treasury) of Annex III.

3. Israel will transfer immediately 12 million NIS to cover the recurrent costs of the eight spheres transferred to the Palestinian Authority starting from September 1, 1995.

4. For the purposes of the implementation of the Protocol on Economic Relations, Israel will deduct 3% from each transfer to the Palestinian side of import taxes and other indirect taxes, in order to cover Israel's administrative costs in collecting these taxes and in handling matters related to them.

5. The two sides will continue discussion through the Joint Economic Committee on the procedures for the set-off of financial obligations between the two sides, including legal entities under their control or management.

6. a. Cigarettes, alcohol, iron and cement will be added to list A2 attached to the Protocol on Economic Relations in accordance with subparagraphs 2.a.(2) and 2.b of Article III of the Protocol, in quantities according to the Palestinian market needs, taking into account the quantities of these goods included in list A1.

Page 2, However, with regard to these goods, the Israeli rates of customs, purchase tax, levies, excises and other charges, prevailing at the date of signing of the Agreement, as changed from time to time, shall serve as the minimum basis for the Council.

b. The quantities of electrical equipment in lists A1 and A2 will be revised and increased by the JEC to cover all the needs of the Palestinian market.

7. Articles V (Direct Taxation) and VI (Indirect Taxes on Local Production) of the Protocol on Economic Relations shall be replaced by the Articles attached as Appendices 1 and 2 to this Supplement.

Page 2, Appendix 1 - Replacing Article V of the Protocol on Economic Relations  
Article V, Direct Taxation

1. Israel and the Palestinian side 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 the area under its tax responsibility.

3. Each tax administration may impose additional taxes on its residents (individuals and corporations) who conduct economic activities in areas under the tax responsibility of the other side.

4. Israel will transfer to the Palestinian side a sum equal to:

- a. 75% of the income taxes collected from Palestinians from the West Bank and the Gaza Strip employed in Israel

**Banks** No specific mention.

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**Land, property and environment**

**Land reform/rights** No specific mention.

**Pastoralist/  
nomadism rights** No specific mention.

**Cultural heritage** No specific mention.

**Environment** No specific mention.

**Water or riparian  
rights or access** No specific mention.

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**Security sector**

**Security  
Guarantees** No specific mention.

**Ceasefire** No specific mention.

**Police** No specific mention.

**Armed forces** Page 1, 1. The clearance of revenues from all import taxes and levies and from excise on fuel products between Israel and the Council, according to this Agreement, will come into full force on the date of completion of the first phase of the redeployment of the Israeli military forces prior to the elections

**DDR** No specific mention.

**Intelligence  
services** No specific mention.

**Parastatal/rebel  
and opposition  
group forces** No specific mention.

**Withdrawal of  
foreign forces** No specific mention.

**Corruption** No specific mention.

**Crime/organised crime** No specific mention.

**Drugs** No specific mention.

**Terrorism** No specific mention.

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## **Transitional justice**

**Transitional justice general** No specific mention.

**Amnesty/pardon** No specific mention.

**Courts** No specific mention.

**Mechanism** No specific mention.

**Prisoner release** No specific mention.

**Vetting** No specific mention.

**Victims** No specific mention.

**Missing persons** No specific mention.

**Reparations** No specific mention.

**Reconciliation** No specific mention.

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## **Implementation**

**UN signatory** No specific mention.

**Other international signatory** No specific mention.

**Referendum for agreement** No specific mention.

**International mission/force/similar**

No specific mention.

**Enforcement mechanism**

No specific mention.

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