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

Stage	Framework/substantive - partial
Conflict nature	Government/territory
Peace process	Israel-Palestine peace process
Parties	Israel, signed for by Yitzhak Rabin and Shimon Peres; PLO, signed for by Yasser Arafat;
Third parties	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;
Description	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.

Agreement document	IL_PS_950928_Annex_V_Protocol on Economic Relations.pdf (opens in new tab) | Download PDF

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.

Gender

Women, girls and gender	No specific mention.
Men and boys	No specific mention.
LGBTI	No specific mention.
Family	No specific mention.

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.

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.

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.

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.

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.

Rights institutions

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

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.

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 wageand-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 Al.

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 Al 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.

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.

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.

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.

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.
