

Peace Agreement Access Tool PA-X <https://pax.peaceagreements.org/>

Country/ entity	Israel Palestine
Region	Middle East and North Africa 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 -))
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](#) | [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.
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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.

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 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

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.

Related cases No specific mention.

Source Israeli Ministry of Foreign Affairs; <http://www.mfa.gov.il/MFA/ForeignPolicy/Peace/Guide/Pages/THE%20ISRAELI-PALESTINIAN%20INTERIM%20AGREEMENT%20-%20Annex%20V.aspx>
