FAIR TAX MONITOR

Occupied Palestinian Territory

2019 - 2024

MIFTAH

September 2024

FAIR TAX MONITOR

2019 - 2024

MIFTAH Publications 2024

PREPARED BY:

Moayad Afanah	Researcher in Public Finance and Taxation

MIFTAH's Team:

Lamis Shua'ibi Hantouli	Director of the "Policy Dialogue and Good Governance" Programme
Riham Faqih	Director of Development and Outreach
Abdalaziz Alsalehi	Research and Studies Officer

TRANSLATOR:

Jumana Kayyali Abbas

OXFAM's TEAM:

Henrique Alencar - Policy Advisor on Inequality and Tax, Oxfam Novib

Majd Al-Khoury – Economic Justice program Program officer, Oxfam OPT

Table of Contents

List of Tables

List of Figures

Term	Definition
Revenues[1]	Includes tax revenues, non-tax revenues, grants, and any other revenues received by the State of Palestine.
Tax Revenues[2]	Includes income and profit taxes, local taxes on goods and services, and any other taxes that may be imposed from time to time.
Non-Tax Revenues[3]	Includes profits from companies owned or in which the PNA has stakes, either directly or indirectly, as well as license, profession, and insurance fees, administrative fees, fines, confiscations, and other non-tax revenues.
Tax Evasion[4]	The complete or partial avoidance of tax payment by the taxpayer, without transferring the burden to others, affecting the state's tax collection and depriving it of its due share.
Customs Smuggling[5]	The illegal entry of goods into or out of the country without paying customs duties and other taxes, either wholly or partially, or in violation of prohibitions or restrictions specified in this law or other laws and regulations.
Governance	A set of rules, laws, and principles that regulate the operations of an institution, ensuring effective oversight, organizing the relationship between the institution and various stakeholders, and striving to achieve transparency, fairness, and combat corruption. Alternately, it is a system in which the activities of institutions are governed by a set of laws, regulations, and decisions aimed at achieving quality and excellence in performance.
Public Debt[6]	The outstanding balance of the government's financial obligations that have not been repaid and for which payment is due.

1 The General Budget Law No. (7) of 1998, Article No. (1)
2 Ibid
3 Ibid
4 The Integrity Environment in Tax and Customs Duty Collection, Tax and Customs Evasion as a Case Study, 2011, Aman.
5 Jordanian Customs Law No. (16) of 1983
6 Public Debt Law No. (24) of 2005, Article No. (1)

Term	Definition
External Public Debt[7]	Financial obligations due to be paid by the government for funds borrowed from foreign countries, agencies, or international institutions under legal agreements.
Internal Public Debt[8]	Financial obligations due to be paid by the government for funds borrowed through government bonds or from local banks or other local financial institutions.
Transparency[9]	The free flow of information, referring to the sharing of information and actions taken in an open manner. It allows the concerned public to gather information, enabling them to participate in policy formulation, have an active role in oversight and accountability, and protect their interests.
Net Lending[10]	A term used since the establishment of the Unified Treasury Account in 2002, referring to amounts deducted from the clearance tax revenues by Israel to settle debts owed to Israeli companies supplying electricity and water to municipalities and Palestinian distribution companies.
Direct Taxes[11]	Taxes imposed (collected) on income, wealth, and property, including income tax, corporate income tax, property tax, and capital gains tax. The tax burden is always on a specific individual or entity and cannot be transferred by the taxpayer to another person.
Indirect Taxes[12]	Taxes on consumption, such as VAT, sales tax, goods and services tax, customs duties, and excise taxes.

7 Ibid
8 Ibid
9 The Coalition for Integrity and Accountability (AMAN). 2023. Handbook for Enhancing Integrity and Combating Corruption: 'Concepts and Terminologies'. Ramallah - Palestine.
10 The Coalition for Integrity and Accountability - AMAN. 2017, The Item of Net Lending and Its Impact on the Budget Deficit and Waste of Public Funds
11 The Coalition for Integrity and Accountability (AMAN). The Palestinian Tax System 'Transparency of the Financial Relationship Between the Palestinian National Authority (PNA) and Israel' 2024. Ramallah - Palestine
12 The Coalition for Integrity and Accountability (AMAN). The Palestinian Tax System 'Transparency of the Financial Relationship Between the PNA and Israel' 2024. Ramallah - Palestine

Term	Definition
Progressive Tax[13]	A tax that places a greater burden on those with higher abilities to pay, typically applied through income tax. A progressive tax is one that increases (progresses) in tax rate as income increases; meaning those with higher income will pay higher tax rates.
Income Tax[14]	A direct tax imposed on individuals or entities such as companies that practice commercial or service activities, whose income exceeds a certain amount per year.
Value-Added Tax (VAT)[15]	An indirect tax on consumption, imposed on goods and services at each stage of the supply chain. The final consumer bears the cost of this tax.
Budget Deficit[16]	The gap between expenditures and revenues.
Corruption[17]	Any act involving the misuse of public office for personal or group gain.
Accountability[18]	The obligation of officials to provide clarifications to stakeholders on how they exercise their powers and duties, accept criticism, fulfill required duties, and take responsibility for their actions or failures, incompetence, or fraud.
Clearance(Maqasa)[19]	The sum of revenues collected by Israel on behalf of the PNA, which are then transfers them to Palestine in ILS. It includes income tax, VAT, purchase tax, and any taxes and fees related to trade between Israel and the West Bank and Gaza, according to the Paris Protocol.

13 Abdel Karim, Nasr, et al. (2018) 'Tax Justice Index Report' from the Publications of Miftah.
14 The Taxpayer's Guide to Income Tax, from the Publications of the Palestinian Ministry of Finance, 2012
15 Coalition for Integrity and Accountability (AMAN). The Palestinian Tax System: 'Financial Transparency Between the PNA and Israel,' 2024. Ramallah, Palestine
16 Citizen Budget Preparation Guide, from the publications of Miftah and the Ministry of Finance, 2018
17 Coalition for Integrity and Accountability 'AMAN', The Guide to Terms and Concepts of Good Governance, 2013
18 Coalition for Integrity and Accountability (AMAN). 2023. A Handbook for Promoting Integrity and Combating Corruption: 'Concepts and Terminology'. Ramallah - Palestine
19 Citizen Budget Preparation Guide, published by Miftah and the Ministry of Finance, 2018

Term	Definition
General Budget[20]	A detailed program for the PNA's revenues and expenditures for a specific fiscal year, including estimates of the Authority's revenues, grants, loans, and other receipts, as well as various expenditures and payments.
Transfer Expenditures[21]	Expenditures allocated in the Public Budget, benefiting a third party, such as assistance provided by the Ministry of Social Development to poor families and allowances for martyrs' and prisoners' families.
Operational Expenditures "Goods and Services"[22]	Expenditures necessary to operate the public establishment (e.g., building rents, electricity, water, fuel, etc.), part of the current expenditures.
Development Expenditures[23]	Expenditures that differ from current expenditures in terms of their lifespan and return (e.g., infrastructure projects).
Current Expenditures[24]	Includes salaries, wages, allowances, and operational and transfer expenditures for ministries, public institutions, and other executive agencies of the PNA.
Capital Expenditures[25]	Includes the acquisition of capital assets (e.g., buildings, land, vehicles, etc.) and capital transfers to projects, along with other developmental expenditures.
PublicExpenditures[26]	Includes all current, capital, and developmental expenditures.

20 Public Budget Law No. (7) of 1998, Article No. (1)
21 Citizen Budget Preparation Guide, published by Miftah and the Ministry of Finance, 2018
22 Ibid
23 Ibid
24 Public Budget Law No. (7) of 1998, Article No. (1)
25 Ibid
26 Ibid

MIFTAH Foreword

MIFTAH reaffirms its commitment to promoting the principles of transparency, accountability, and social justice in Palestine, based on its firm belief that building a fair political and economic system—rooted in civic participation and human rights standards—is a fundamental pillar for achieving sustainable development. This study comes within the framework of ongoing efforts to shed light on the reality of the Palestinian tax system and to analyze the Tax system from a social and gender-based perspective, amid complex challenges led by the ongoing Israeli occupation and its direct impact on the sovereignty of national financial resources.

This research effort serves as an updated version of the first FTM published by MIFTAH in 2018. The second FTM clearly reveals that the Palestinian tax system still lacks a rights-based and socially responsive dimension and suffers from structural and functional imbalances. These challenges are exacerbated by the absence of an effective legislative authority, persistent Israeli policies undermining the system's development, the impacts of internal political division, and a weakened political will for reform. These factors have negatively affected the realization of gender and social justice principles, especially in terms of equitable distribution of tax burdens and benefits, with a continued reliance on indirect taxes that disproportionately affect poor and marginalized groups.

MIFTAH calls for comprehensive reforms to the Palestinian tax system to promote tax justice, ensure a fair distribution of Public money income, and empower marginalized groups to access their economic and social rights. The organization also stresses the importance of effective legislative and oversight roles in building a transparent and efficient tax system that responds to the priorities of social and gender justice, and that addresses structural and political challenges within a framework of national partnership and social responsibility.

Dr. Tahreer Al-Araj

Executive Director

Executive Summary

The Israeli occupation has been, and continues to be, a major obstacle to development in Palestine, and a destructive factor in building the foundations of an independent Palestinian state and its various systems. Since its inception, the occupation has systematically sought to control Palestinian resources, imposing constraints on the Palestinian economy through the Oslo Accords, which classified Palestinian territories and kept 61% of the West Bank under its civil and security control. Additionally, the Paris Economic Protocol has constrained the PNA's ability to control its resources, particularly in the area of taxation. Thus, the occupation remains a key factor in the PNA's lack of control over its resources, particularly indirect taxes. This was clearly demonstrated after the Israeli genocide on the Gaza Strip, during which Israel hijacked clearance revenues under various pretexts, as part of a systematic policy aimed at zeroing out clearance revenues, which are the main source of tax revenue. This negatively affected gender and social justice, as the withholding of tax revenues limited the PNA's ability to provide public services such as education, healthcare, and social protection, in addition to reducing support for poor and marginalized families.

Moreover, the internal Palestinian political division weakened the PNA's ability to collect most of the taxes from the Gaza Strip, negatively affecting tax revenues, which in turn impacted the social groups' benefits, including marginalized groups. The absence of a legislative authority has also had a detrimental effect on the enactment and updating of the legislative framework governing the tax system in Palestine, as well as on creating an effective system of oversight and accountability for the tax system, which is the primary revenue source for the public treasury representing 90% of public revenues.

The PNA's general revenues are insufficient to cover public expenditures, creating a gap between revenues and expenditures, which has led to a financial crisis. This crisis has negatively impacted social justice, since it resulted in a decrease on public services expenditure, social protection programs, and allocations for poor and marginalized families. Additionally, wage discrimination and a gender wage gap has hampered the achievement of social justice.

Furthermore, tax exemptions, especially those in the Investment Promotion Law, primarily benefit large companies and do not contribute adequately to the enforcement of social justice for medium, small, and micro-enterprises, which are usually owned by youth and women. This does not respond to social justice needs. It is noteworthy that the draft laws for Value Added Tax (VAT) and customs duties contain provisions that provide tax exemptions responsive to social justice, but these have not yet been passed. Additionally, there are exemptions in the Income Tax Law that are responsive to social justice.

The study concludes that the Palestinian tax system has not undergone significant reforms from a gender perspective between 2019 and 2024. The existing system does not respond to social justice and does not contribute to wealth redistribution in a fair manner that ensures the benefit of poor and marginalized groups. This is because it focuses on indirect taxes, which are regressive and irresponsive to differences in contributing capacities between citizens, imposing the same tax rate on various goods and services regardless of whether they are basic or luxury items. There is no commodity discrimination or differentiation based on the nature of the consuming group. Meanwhile, revenues from income tax do not exceed 7.5% of total tax revenues, despite its importance in wealth redistribution and achieving tax justice. Income tax is composed of only three tax brackets for individuals, and a single bracket for companies, excluding monopolistic companies, which is inconsistent with the systems in neighboring countries and worldwide.

Despite the fact that the PNA has been in existence for 30 years, no VAT laws or customs duties have been passed, despite their importance in public revenue structure, even though this is included in the sectorial strategy for public finance management. The absence of a legislative authority has negatively affected the oversight system in the Palestinian tax system. It has also impacted the passage of new tax laws that would enhance tax justice and address gender-related issues. Additionally, there is no law ensuring the right to access information, which negatively affects the transparency of information, including tax system data. The Social Security Law has also not been enacted, which affects the provision of economic and social protection, especially for workers in the informal sector.

Despite the relative success of the digital transformation in tax collection (including RMS, the digital clearance system with Israel) and the rise in collection levels, and the rise in collection levels, the tax system still faces multiple challenges that allow for tax evasion and smuggling. These challenges include political factors such as the PNA's lack of control over crossings and borders, as well as technical factors such as logistical deficiencies and the lack of qualified technical staff.

Additionally, Israeli measures, especially after October 7, 2023, are undermining the development of the tax system and are actively hijacking tax revenues, which has weakened the PNA's ability to meet its obligations toward government employees, suppliers, and citizens. This has negatively impacted the quantity and quality of various public services, including essential services such as education, healthcare, and social protection, which has affected poor and marginalized groups, and hindered the enforcement of social justice.

The study concludes with a set of practical recommendations to strengthen the responsiveness of the Palestinian tax system to social justice.

Introduction

The tax system is considered a tool of fiscal and economic policy through which the goals and objectives of a society are achieved in accordance with its intellectual philosophy and ideology. Consequently, the tax system is based on specific economic, social, and political foundations that vary from one society to another, from one country to another, and even within the same country from one stage to another. Taxation has been associated with the sovereign authority of the state since ancient times, and its concept has evolved alongside the evolution of the state—from the protective state to the contractual state, and then to the solidaristic state, where the individual pays taxes as a means of solidarity with the state. In this context, it is the state's responsibility to ensure a dignified life for every individual under its care.

Thus, taxation has ceased to be merely a source of revenue for the state; it has evolved into fulfilling social and economic functions in addition to its traditional financial role. It has become an economic tool through which economic development can be achieved, inflation and recession addressed, income distribution restructured, and the standard of living for citizens improved, all in an effort to advance the national economy and living standards as a whole.[27]

Through an analytical examination of the philosophy underlying tax systems, it is clear that they are grounded in social, financial, and economic principles. The social function of taxation is reflected in the redistribution of wealth, ensuring the achievement of social justice within the state. Tax revenues are employed to foster social stability, provide essential public services, and offer social protection for marginalized, vulnerable, and impoverished groups. In terms of its financial function, taxation serves to secure revenues for the state's treasury, enabling the coverage of public expenditures. Economically, the tax system acts as a key instrument of the state's fiscal policy, utilized to stimulate economic growth, mitigate inflationary pressures, safeguard the national economy, or incentivize specific economic sectors through targeted tax impositions, reductions, and other fiscal tools.

Based on these principles and foundations, the Palestinian tax system must embody the philosophy of taxation by maximizing revenues, protecting the national economy, and, most importantly, achieving and enforcing social justice for all societal groups. It must also address gender-related issues and concerns.

27 "Tax Systems, 2004: A Comparative Analytical Study," Published Master's Thesis, An-Najah National University.

Study Objective

The objective of this study is to update and expand the Fair Tax Monitor (FTM) index in the Palestinian territories, building upon the data from the previous index published in 2018. This update focuses on the years 2019-2024 and aims to provide citizens, civil society organizations, stakeholders from various governmental, non-governmental, and private sectors, as well as researchers and academics, with quantitative and qualitative analysis of the components of the Palestinian tax system. It also assesses the extent to which social justice is implemented within the Palestinian tax system and its responsiveness to gender issues.

Goals

- Identify the features of the tax system in Palestine and the quantitative context of taxes during the period 2019-2024.
- Identify the distribution of the tax burden and its progressivity, from the perspective of social protection, social and gender justice, and equality.
- Examine the adequacy of public revenues, tax evasion, and customs smuggling, and their impact on social protection, inequality and social justice issues.
- Explore corporate tax exemptions and governance from a social justice perspective.
- Analyse the efficiency of the tax administration in Palestine and its responsiveness to social justice.
- Identify government spending in Palestine and its key areas of focus.
- Analyse the application of the principles of transparency and accountability indicators within the Palestinian tax system.
- Identify the restrictions imposed on public revenues, particularly the tax system, by the Israeli occupation, and their impact on social justice.

Methodology

The Fair Tax Monitor (FTM) project was started in December 2014. The FTM project was developed by Oxfam Novib and Tax Justice Network–Africa, in collaboration with partners and Oxfam Country Offices.

The FTM in its present version has six distinct thematic evaluation categories. These categories are meant to cover the main issues that tax systems in developing countries face today, and to reflect the idea of a fair tax system.

The categories included in the FTM's methodology to evaluate the tax systems are:

- Distribution of Tax Contribution and Progressivity
- Sufficient Revenues and Illicit Financial Flows
- Tax Competition and Corporate Incentives
- Effectiveness of the Tax Administration
- Government Spending
- Transparency and Accountability

In order to properly assess the categories above, the FTM is divided into two complementary files which examine the fairness of a national tax system through distinct approaches:

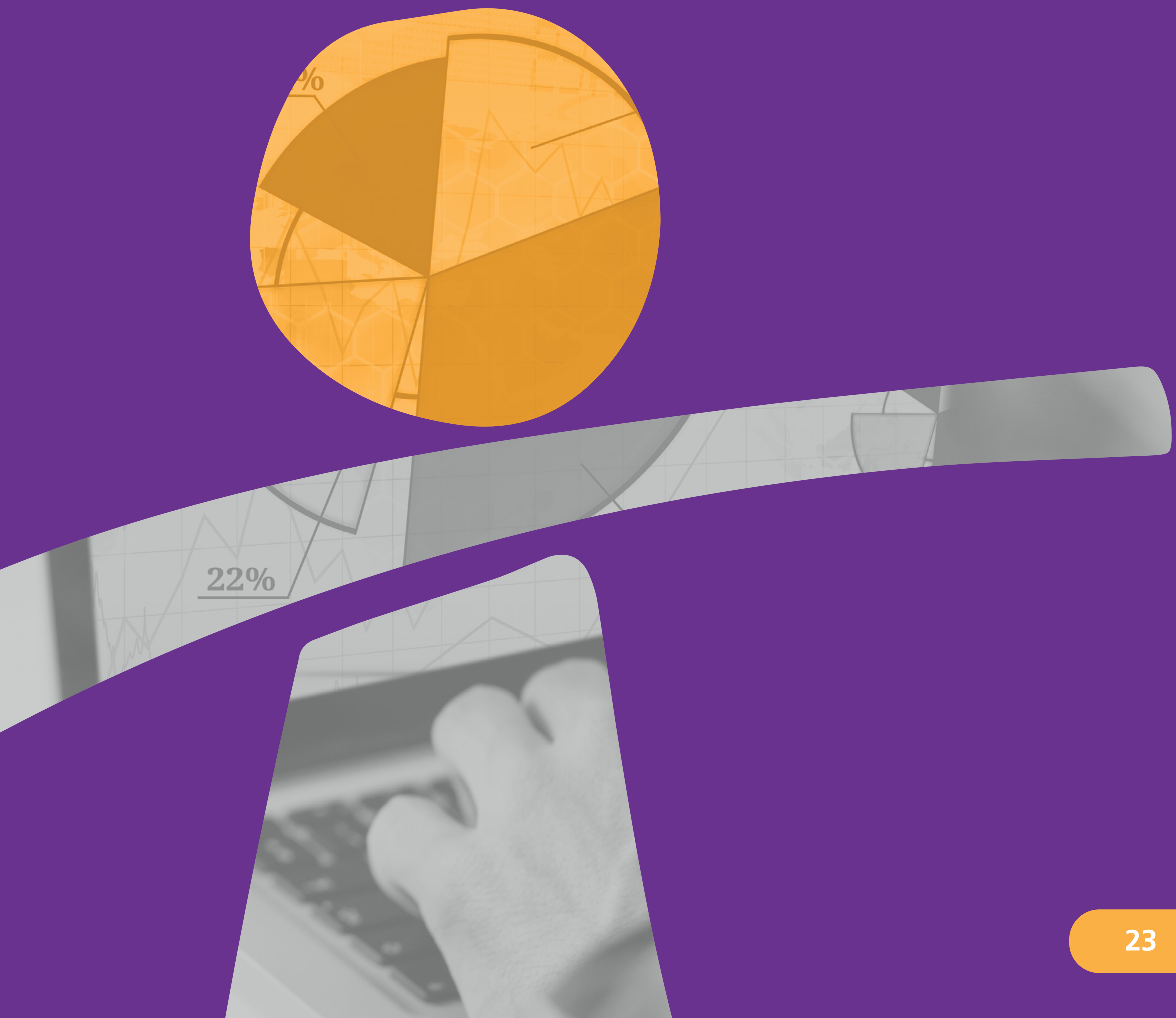
- The scoring questions file, which is an Excel spreadsheet containing a number of questions that will reflect the level of fairness in a tax system through an overall score based on specific issues; and
- The country report file, which is to be developed by the researcher based on the Common Research Framework (CRF).

In order to prepare the report on the State of Palestine a scientific methodology was adopted to update the study, following an analytical comparative approach, by comparing tax-related legislation and quantitative data on public revenues in general, and tax revenues specifically, for the period 2019-2024, as well as thorough tracking of the developments. This includes a thorough analysis of the data for the six years window from the 1st report, focusing on all aspects related to the tax system. The methodology includes the following key elements:

- A comprehensive literature review of previous years' data of the Palestine Fair Tax monitor (FTM) report.
- Reviewing the relevant financial data and preparing a comparative historical series for the years 2019-2024, including approved budgets and actual spending reports.
- Reviewing relevant reports and studies related to public finance or the tax system in Palestine, and studies on tax systems globally and in neighbouring countries.
- Reviewing the tax systems of neighbouring countries.
- Conducting meetings and focused interviews with relevant authorities in the Ministry of Finance (MoF), specifically the tax administrations.
- Conducting interviews with relevant civil society organizations (CSOs) and the Civil Society Team for Enhancing Public Budget Transparency.
- Preparing a draft report and discussing it with the concerned parties.
- Finalizing the updated report.
- Preparing a fact sheet summarizing the main findings of the report update.

Chapter One

Overview of the Tax System in Palestine and Social Justice



The Palestinian tax system consists of two main types of taxes: direct and indirect taxes. Direct taxes include Income tax (both Personal Income Tax and Corporate Income Tax) and Property tax & Education Tax. In this context, the tax burden always falls on a specific person or entity, rather than transferred by the taxpayer to another person. Direct taxes are often interpreted as fairer and more progressive, as such taxes can be implemented through different brackets and rates that take into account the economic situation or capacity to contribute of different taxpayers. Direct taxes account for an average of only 7.8% of total tax revenues.

On the other hand, indirect taxes are imposed on consumption, production, and commercial activities such as through a value-added tax (VAT), purchase/production tax, fuel tax, customs duties, and excise taxes. The final consumer ultimately bears the total cost of these taxes. Indirect taxes are understood to be regressive in nature, as they do not take into consideration the economic situation or capacity to contribute from the poorest and most vulnerable in society. Indirect taxes account for an average of 92.2% of total tax revenues.[28]

Legislative framework of the Tax System in Palestine

Despite the importance of taxes in all countries and national contexts, the legislative framework of the tax system in Palestine remains incomplete. It is a mixture of various laws and regulations from different historical periods, including the Ottoman era, the British Mandate, the Jordanian rule in the West Bank, Egyptian rule in the Gaza Strip, Israeli occupation, and finally, the Palestinian National Authority (PNA). The main components of the Palestinian tax system's legislative framework are:

- The Paris Economic Protocol;
- Jordanian laws on property and fuel taxes;[29]
- Israeli military orders, which are still applicable, particularly those related to value-added tax (VAT);
- The Income Tax Law and its Amendments of 2011.

28 Coalition for Accountability and Integrity, AMAN. The Palestinian Tax System (Social Justice- corruption risk management financial relations with Israel).

29 Including the Law on Buildings and Land Tax within Municipal Areas No. (11) of 1954, and the Land Tax Law No. (30) of 1955, the Jordanian Amendments until 1967, and the amendments introduced through Israeli military orders, which remain in effect today. Moreover, the Jordanian Customs and Excise Law No. (1) of 1962.

Income Tax

Income tax is a direct tax imposed both on natural persons and legal entities (such as companies) who engage in professional, commercial, or service activities and whose annual income exceeds a certain threshold. The state deducts a portion of the income from individuals and profits from legal entities when they exceed a certain limit or under specific conditions.

The Income Taxpayer Guide issued by the MoF defines income tax as "a sum of money imposed by the state on taxable income, under the law, for any person (natural or legal), as a contribution to building state institutions and covering the obligations necessary to maintain its existence and serve its subjects".[30]

Legislative Framework of Income Tax in Palestine

The central act in the framework of income taxation in Palestine is Decision by Law[31] No. (8) of 2011 on Income Tax, which replaced Income Tax Law No. (17) of 2004 and its Amendments. Article 16 outlines the income tax brackets and rates as follows:

- Tax is collected on taxable income for any natural person according to the following brackets and rates:
  - » From 1 to 40,000ILS at (5%) (after the annual 30,000 ILS exemption).
  - » From 40,001 to 80,000ILS at (10%).
  - » Any amount exceeding this is taxed at (15%).
- Tax is collected on taxable income for any legal entity at a rate of (15%).

30 Income Taxpayer Guide, Ministry of Finance, 2012.

31 According to the Palestinian Basic Law, specifically Article 43, the President of the PNA has the power, in necessary cases that cannot be postponed and are not addressed during the PLC's regular sessions, to issue laws by decree. These decrees must be presented to the PLC in the first session after they are issued, or else they lose their legal backing. If they are presented to the PLC in the manner described and are not approved, they will also lose the power of the law. In practice, since 2007, laws have been issued in the form of "laws by decree."

- A tax rate of 5% is collected from life insurance companies on the total amount of life insurance premiums due to the company. Other income generated by the company from activities outside of life insurance is subject to the provisions of this Decision by Law, as provided in Paragraph (2) of this Article. [DEROGATED]

- The tax collected from a legal entity is considered final and cannot be refunded or offset for any partner or shareholder.

- The Council of Ministers upon the recommendation of the minister, may amend the tax brackets and rates identified in this Article, either wholly or partially, according to public interest considerations.

Major subsequent amendments to the Income Tax Law:

- In 2012, the Palestinian Council of Ministries (CoM) proposed to increase the number of personal income tax brackets from three to five. Two new brackets would have been added: 22.5% and 30% for high-income groups. The proposed changes sparked dissatisfaction among individuals and companies, even before being made public. Opponents argued that the new law would place a heavy burden on taxpayers, who were already facing declining commercial activities. Due to those public deliberations, the government engaged in open dialogue with representatives of the private and civil sector. After lengthy negotiations, a compromise was reached, which involved cancelling the two proposed brackets and replacing them with a fourth tax bracket of 20%.[32] However, due to lobbying efforts from the private sector and a change in government following the compromise, this fourth bracket has not been implemented in practice.

- In 2014, another executive decree introduced limited amendments to the original law.[33] This amendment reintroduced full exemption for capital gains from assets and securities, which had previously only received a 25% exemption under the previous framework. The Law also imposed a 10% tax on the interest arising from financing programs dedicated to stimulating small businesses (microfinance), as well as on dividend shares, cash payments, and stock market shares.[34]

32 Abdul Karim, Nasr et al, (2018) "Fair Tax Monitor Report", MIFTAH.
33 Decision by Law No. (4) of 2014 Amending Decision by Law No. (8) of 2011 on Income Tax.
34 Abdul Karim, Nasr et al, (2018) "Fair Tax Monitor Report", MIFTAH, P. 20.

- In 2015, the annual exemption of the Personal Income Tax was increased from 30,000 ILS to 36,000 ILS. The tax brackets were also adjusted as follows:
  - » From 1 to 75,000 ILS: (5%) (after the annual 36,000 ILS exemption).
  - » From ILS 75,001 to ILS 150,000, (10%).
  - » Above ILS 150,000: (15%).
- The tax rate on taxable income for legal entities was also amended, with telecommunications companies and companies with a monopoly or concessions in the Palestinian market taxed at a rate of 20%.
- In 2016, income tax exemptions were introduced for the following agricultural activities: "the production of crops, grains, vegetables, fruits, plants, flowers, trees, livestock, fish, poultry, beekeeping, and the production of milk, eggs, and honey". The amendment also classified as tax-exempt the income of a natural person derived from agricultural activity and the first 300,000 ILS of net income for a legal entity derived from agricultural activity.[35]

Property Tax

The Jordanian Property Tax Law No. (11) of 1954 and its Amendments are still applicable in OPT. Property Tax is collected annually at a rate of 17% of the annual rental value of buildings and real estate.[36] MoF collects this tax, allocating 90% of the revenue to local authorities, while retaining 10%.

In 2022, some municipalities were granted the power to collect Property Tax directly.[37] As of April 2024, there were 36 local authorities directly collecting Property Tax, a number which is expected to rise this year.

35 Decision by Law No. (14) of 2016, amending the Decision by Law on Income Tax No. (8) of 2011 and its Amendments.
36 The Law on Buildings and Land Tax within Municipal Areas No. (11) of 1954 and its Amendments.
37 COM Decision in session No. (168) held on 25 July 2022 on granting some municipalities the power to collect Property tax directly.

Education Tax (Ma'arif)

A Jordanian law imposed the Education tax during Jordanian rule in the West Bank.[38] It is an annual tax collected from building operators in municipal areas, at a rate of 3% of the net annual rent.[39] After Israel occupied the West Bank, Gaza Strip, and East Jerusalem in 1967, it retained the Ma'arif Tax system and increased the rate to 7% through a military order of the Israeli Military Commander in the West Bank in 1978.[40] The Palestinian Education Law, enacted in 2017, addressed the Ma'arif Tax in Article 48.[41] In 2021, a specific regulation for the Education Tax was approved, maintaining the previous rate of 7% of net annual rents.[42]

Value Added Tax (VAT)

In the Palestinian territories, the VAT rate is determined by the Paris Protocol, which stipulates that the VAT rate of Palestine should not exceed or undercut Israel's VAT rate by more than 2%.[43] Currently, the VAT rate in the Palestinian territories is 16% compared to 17% in Israel. VAT exemptions apply only to agricultural produce,[44] transactions conducted by charitable associations and donor organizations operating in OPT.

The Palestinian National Authority (PNA) has drafted the first Palestinian Value Added Tax Law on 2021, to replace previous laws, including military orders. However, this law has not yet been enacted as of the time this study was conducted. A key feature of the new draft law is that it imposes VAT on economic activities that were previously untaxed due to gaps on the legal framework, such as real estate and property development activities, as well as stock market activities that generate significant profits. This also applies to some sectors of the informal economy. Moreover, the law aims to protect national industries and support local products by progressively applying distinct VAT rates (ranging from 0% to 16%) to essential Palestinian goods and services.

38 Regulation No. (1) of 1956
39 Regulation No. (1) of 1956, Education Tax System, Art. (2).
40 Order No. (753) issued by the Commander of the West Bank in the Israeli Army, 1978.
41 Decision By Law No. (8) of 2017 on Public Education, Art. (48)
42 Education Tax Regulation, No. (24) of 2021.
43 Paris Economic Agreement "Protocol", 29 April 1994.
44 The exemption for agricultural production comes with certain conditions, including the requirement for official registration with the tax authorities, disclosure of financial data, and the provision of invoices. The exemption does not apply to traders, but rather to farmers.

Unlike the current fixed rate of 16%, the draft law allows for flexible VAT rates based on the type of product or service. Article 2 of the draft law states: "The tax shall be imposed at a rate of 16% on transactions conducted in the state and on the import of goods at a unified rate of the amount of the transaction or product. The CoM may amend the tax rate and/or impose varying rates upon the Minister's recommendation".

The law also includes provisions to expand the VAT base to reach additional categories of taxpayers,[45] ensuring it can reach all taxpayers and commercial businesses for VAT collection. This includes the informal business sector, unorganized commercial transactions, and the import of goods, especially given the significant overlap with Israel in the borders and shared areas, as well as the potential for smuggling. Additionally, it addresses the activities of non-profit organizations that compete with the private sector.

Purchase/Production Tax

This tax is regulated in the Palestinian context using Jordanian Law No. (16) of 1963. This law sets the tax rates on domestic and imported products such as alcohol, cigarettes, cars, chemicals, and some electrical appliances. These are indirect taxes, with the end consumers bearing the cost.[46]

Fuel Tax

This tax is collected on various fuels used in OPT. There is no specific law in Palestine for this tax. It is a purchase tax, like the fees imposed on cigarettes and tobacco. The legal basis for these taxes is the Jordanian Customs and Excise Law No. (1) of 1962 and its Amendments.[47]

The Paris Agreement generally addressed the issue of petroleum in the OPT in Article 12, which constitutes the legal foundation for regulating petroleum in Palestine.[48]

45 Draft VAT Law, 2021.
46 Abdul Karim, Nasr et al. (2018). "Fair Tax Monitor Report", MIFTAH, P. 30.
47 Jaber, Firas (2018) "Colonial Taxes in Palestine". Social & Economic Policies Monitor.
48 Paris Economic Protocol, Article No. (12).

According to the agreement, criteria were established for the importation of petroleum products into OPT, requiring them to meet the standards applied in the EU and United States. It was also stipulated that the colour of gasoline in the Palestinian territories must be distinguishable from that sold in Israeli markets, and that the PNA must take all necessary measures to ensure that this gasoline is not marketed in Israel. Additionally, the price difference between gasoline for Israeli consumers and consumers in the Palestinian territories should not exceed 15% of the official final price for consumers in Israel. The agreement also granted the PNA the right to set the prices of petroleum products within the territories, excluding gasoline.[49]

Customs and Excise Duties

The Jordanian Customs and Excise Law No. (1) of 1962 and Israeli military orders regulate these taxes. These taxes are imposed on goods and services imported by the private sector. According to the Paris Economic Protocol, these taxes must be collected by the Israeli Customs Department on behalf of the Palestinian Treasury and then transferred to the Palestinian Treasury.[50] In 2022, the PNA issued a draft customs law, however as of the time this study was prepared, the law had not been approved. The draft law includes provisions that grant several exemptions to promote tax and social justice, offering exemptions to service and social institutions as well as marginalized social groups.[51]

The overview above reveals that the legislative framework for taxes in Palestine is still incomplete, and no new legislation was approved during the period of updating the index. The existing framework is a mixture of various laws from previous periods, lacking a modern Palestinian legislative framework. Although there are several draft laws for VAT and customs, they have not been approved, and the Income tax law has not been updated or amended. Furthermore, most indirect taxes are linked to the Paris Economic Protocol with Israel. It is also noted that the largest share of tax revenues comes from indirect taxes, which is not responsive to social justice.

49 Paris Economic Protocol, Article No. (12).
50 Abdul Karim, Nasr et al. (2018). "Fair Tax Monitor", MIFTAH, P. 33.
51 Draft customs law of 2022.

Tax System Reform in National Plans

The National Development Plans 2021-2023, the Public Financial Management Strategies 2021-2023 and the 2022 Reform Agenda all included the topic of tax reform. The National Development Plan 2021-2023 (Resistant resilience, Disengagement, and Cluster Development towards Independence) outlined the fifth national priority and the twelfth national policy: "Efficient and Effective Management of Available Resources".

This policy focuses on the government's efforts in macroeconomic management, and fiscal policy. It includes policy interventions aimed at increasing revenues by expanding the tax base, improving collection mechanisms, and mobilizing externalsupport.[52]

National Priority 5 also contained three general policies, including Policy No. 12, which focused on the efficiency and effectiveness of managing available resources, through the following policy interventions:

- Strengthening public financial management and ensuring financial sustainability, with a focus on developing overall fiscal policy, managing public debt, and rationalizing expenditures.
- Enhancing the public procurement system to ensure transparency and accountability.
- Increasing revenues by focusing on expanding the tax base, improving collection mechanisms, and mobilizing external support.
- Reforming the pension system for public sector employees.
- Establishing regional service provider institutions for water and electricity.
- Improving and rationalizing the management and upgrading of public utilities.

These tax system policies have been reflected in the Sectoral Strategy for Public Financial Management for 2021-2023, as well as in the 2022 Government Reform Agenda. Specific objectives, policies, and procedures have been allocated to expand the tax base and improve collection mechanisms, in order to enhance the effectiveness and efficiency of the Palestinian tax system.

52 National Development Plan 2021-2023 (Resistant resilience, Disengagement, and Cluster Development towards Independence), P. 70.

The 2021-2023 sectoral strategy for public financial management established the third strategic goal: "Public revenues are collected efficiently, effectively, and fairly".[53] This objective necessarily entails the enactment of a VAT law (which includes different tax brackets based on economic activity, goods, or services) and updating the Income Tax Law to align with this goal. However, as of the publication of this study, the VAT law has not been enacted, nor has the Income Tax Law been updated.

The expected outcomes from achieving this third strategic goal, led by the Tax and Customs Revenue Management Program, include the following:

- Alleviating tax evasion and avoidance and increasing reliance on local revenues in the Treasury's overall income.
- Sectoral transformation by working on updating and developing laws and regulations to adjust tax rates and brackets across all economic sectors (real estate developers, services, self-employed professionals, land sector, energy, information systems, financial institutions, medical professions, agricultural sector, and tourism sector). This will be accompanied by activating tax compliance and exploring social justice issues within the tax system.
- Protecting society from smuggling operations that threaten its security andsafety.[54]

It is worth noting that the 2021-2023 Sectoral Strategy for Public Financial Management has set a goal aimed at combating tax evasion, customs smuggling, and horizontal expansion, This goal includes:

- Identify and register unregistered taxpayers (horizontal expansion) and study and apply principles of gender-based tax justice.
- Strengthen coordination with the Customs police and direct their efforts to reduce tax evasion while studying the impact of gender on this phenomenon and remedies.
- Expand the activities of tax and customs audit centers to conduct simultaneous and comprehensive audits of taxpayers' activities.
- Establish a tax risk-management department.
- Develop effective standards for targeting files for audit.
- Broaden the range of targeted goods based on risk criteria.

53 2021-2023 Sectoral Strategy for Public Financial Management. P. 24.
54 2021-2023 Sectoral Strategy for Public Financial Management, P. 84.

- Require taxpayers to use cash registers.
- Require gas station owners to use machines that issue automatic receipts upon refueling.
- Implement the special plan to regulate the tobacco sector, which will contribute to increasing revenues and preventing tax evasion and smuggling.
- Reduce tax debt.
- Develop strategies to reduce the losses from clearance revenues.
- Use risk-based estimation and auditing methods in Income tax.
- Activate enforcement and compulsory collection procedures in Income tax.
- Improve the management of tax disputes with taxpayers in Income tax.

Moreover, increase integration between the tax and customs departments through:

- Completing the linking of various computerized systems and providing a comprehensive database for taxpayers.
- Establishing a unified tax and customs risk department.
- Unifying tax and customs audit centers.
- Creating a tax and customs inspection department.
- Reviewing and updating the VAT law to align with modern developments, including a review from a gender perspective to tax justice. Furthermore, review the Customs law to align with international trade developments, develop a VAT procedural manual, update the customs and excise procedural manual, and propose amendments to the Income tax law from a gender perspective to encourage investment and reduce savings.[55]
- The 2022 Reform Agenda included the reform and implementation of the Palestinian tax system, especially VAT, Income tax, Customs and Property tax. It called for an initiative towards comprehensive reform of the tax system, including laws, policies, procedures, and the use of technology to achieve this goal.[56]

55 2021-2023 Sectoral Strategy for Public Financial Management. P. 128.
56 The Reform Agenda, COM General Secretariat, 2022, P. 21.

The previous overview reveals that the national plans, public financial management strategy, and government reform plans have included tax system reform. Measures have practically been taken in this regard, such as the shift towards automation, identifying and registering unregistered taxpayers, enhancing the effectiveness of the tax system, and combating tax evasion and customs smuggling. However, in terms of legislation, no new laws have been approved, nor have the existing ones been amended or updated to meet the requirements of social justice.

Quantitative Context of Taxes in Palestine and Their Various Classifications

According to the data from the actual expenditure reports of the general budgets for the years 2019 to 2024, reliance on self-generated revenues (domestic and clearance), of which taxes constitute the largest share, has increased year after year, especially with the decline in foreign aid. A comparison of the percentage of external aid and grants to the total general budget, or a comparison with previous years, should be made with the understanding that 2024 was not a standard year, given that the budget for this year was an emergency budget amid the Gaza conflict. Additionally, the figures in the table represent an estimated budget, not actual expenditures.

Table No. (1): Total net actual revenues and actual grants and foreign aid 2019-2024 in million ILS

Year	Total net revenues	Foreign grants and aid
2019[57]	12,383.2	1,745.5
2020[58]	11,832.3	1,672.0
2021[59]	13,714.3	1,026.0
2022[60]	16,216.6	1,174.0
2023[61]	17,749.9	1,315.4
2024[62]	13,952.0	2,510.0

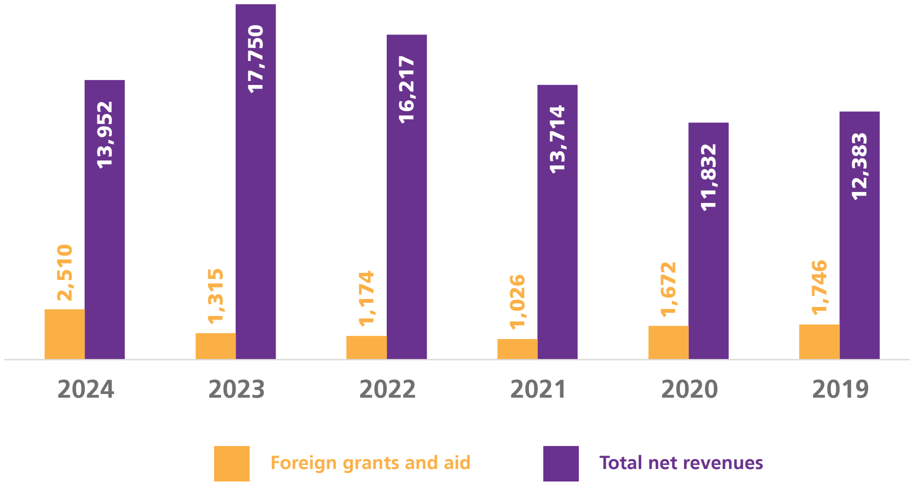
For 2024, estimated and not actual budgets were used.

57 Monthly Cumulative financial Report for December 2019, MOF, 28 December 2020.
58 Monthly Cumulative financial Report for December 2020, MOF, 14 February 2021.
59 Monthly Cumulative financial Report for December 2021, MOF, 2 February 2022
60 Monthly Cumulative financial Report for December 2022, MOF, 29 January 2023.
61 Monthly Cumulative financial Report for December 2023, MOF, 27 January 2024.
62 Decision by Law on the 2024 General Budget.

Foreign grants and aid declined for several reasons, including political reasons related to the stalled peace process, donor agendas (such as stopping Saudi and Emirati support, and the US Taylor Force Act linked to the issue of salaries for the families of martyrs and prisoners), or donor priorities in the context of the COVID-19 pandemic and the Russian Ukrainian war.

It should be noted that there was an increase in external grants and aid in 2024 due to the war on Gaza, through additional support from the European Union (additional USD400 million), the World Bank (additional USD230 million), and some Arab countries to respond to the emergency relief and support humanitarian needs of the Palestinian people.

Figure No. (1): Estimated total net revenues and foreign aid 2019-2014 in million ILS



Ratio of Tax Revenues to Total Revenues 2019 - 2024

According to the actual expenditure reports during 2019 - 2023 and the projected 2024 budget, the tax revenues for the years 2019 - 2024 account for more than 90% of the total public revenues in the general budget of Palestine.

Table No. (2) :Comparison between tax and non-tax revenues[63] of the total revenues for 2019-2024 in million ILS[64] [65]

Year	Net tax revenues	Non-tax revenues	Total
2019	11,107.7	1,275.6	12,383.3
2020	10,558.3	1,273.9	11,832.2
2021	12,414.2	1,300.1	13,714.3
2022	14,678.8	1,537.9	16,216.7
2023	16,158.9	1,591.0	17,749.9
2024	12,661.0	1,292.0	13,953.0

For 2024, estimated and not actual budgets were used.

Table No. (3): The rate of tax and non-tax revenues of the total revenues 2019-2024

Year	2019	2020	2021	2022	2023	2024
Tax revenues	89.7%	89.2%	90.5%	90.5%	91.0%	90.7%
Non tax revenues	10.3%	10.8%	9.5%	9.5%	9.0%	9.3%

P.S. Non-tax revenues include the different fees of ministries and government institutions and investment returns.

Tables (2 and 3) indicate that tax revenues constitute the largest share of the Treasury revenues, exceeding 90% of total revenues. This rate has been increasing when comparing the years 2019-2024, where the average tax revenues during 2019-2024 reached 90.3% of total public revenues. This demonstrates the importance of taxes in Palestine, as they constitute the main source of financing the Treasury.

63 Non-tax revenues include profits from companies owned by the PNA, or in which it has a stake, whether directly or indirectly. This also includes licensing fees, professional fees, insurance fees, as well as administrative fees, fines, confiscations, and other non-tax revenues.
64 Decision by Law on the 2024 General Budget
65 Actual cumulative financial Reports for the years 2019-2023, MOF, previous source.

Direct and Indirect Tax Revenues in Palestine

According to the actual expenditure reports issued by MOF for the years 2019-2024, tax revenues are generated through local revenues (Income, VAT, Customs, Property, Cigarette and Alcohols excise), and through clearance revenues (Income, Customs, VAT, Petroleum and Purchase). The table below indicates the actual revenues for each item of the tax revenues.

Table No. (4): Tax revenues of all forms in Palestine 2019-2024 in million ILS[66][67]

Tax revenues	2019	2020	2021	2022	2023	2024
*Income tax	972.6	719.5	982.4	1,132.3	1,211.6	923.0
**Value Added Tax	3,229.5	2,889.6	3,225.6	4,217.2	4,335.5	3,308.0
***Customs	3,686.5	4,344.9	5,419.4	6,255.3	6,338.2	4,648.0
Alcohols excise	4.3	4.9	4.9	5.2	6.0	6.0
Cigarettes excise	221.6	291.5	343.2	354.9	440.5	415.0
Property tax	14.2	14.9	15.1	16.5	18.7	15.0
Fuel tax	2,628.3	2,363.7	2,577.9	3,364.5	3,811.5	3,087.0
Purchase tax	-15.7	-14.7	-18.4	-3.6	-11.1	-29.0
Total	10,741.3	10,614.3	12,550.1	15,342.3	16,150.9	12,373.0

2024 data is estimated in the Law since fiscal year 2024 has not ended as of the date of preparing this study.

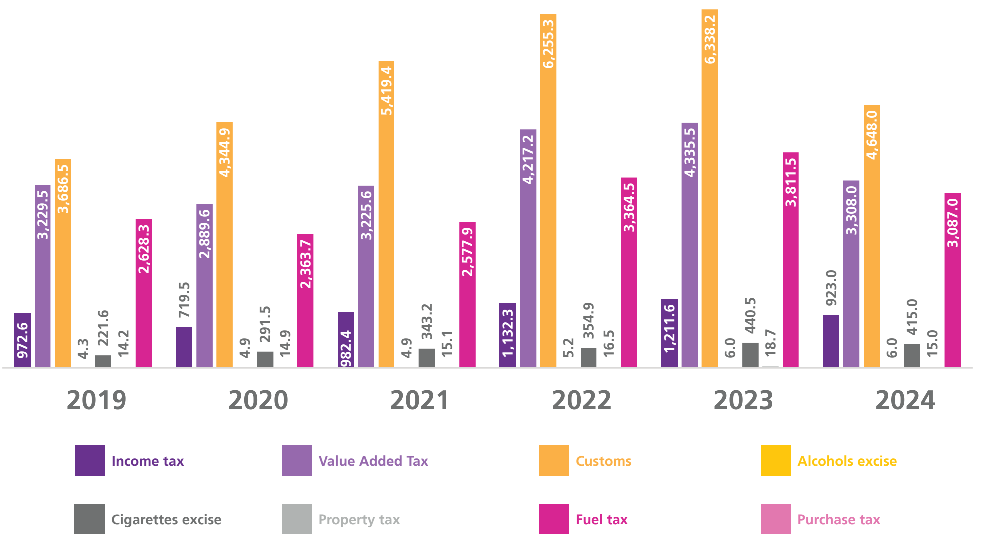
*Income tax: Generated from local revenues and through clearance-the tax of workers inside the Green Line and the settlements.

**VAT: generated from local revenues and clearance revenues.

*** Customs: generated from local revenues and clearance revenues.

66 Actual Cumulative financial Reports for the years 2019-2023, MOF, previous source.
67 Decision by Law on the 2024 General Budget

Figure No. (2): All forms of tax revenues in Palestine 2019-2024 in million ILS



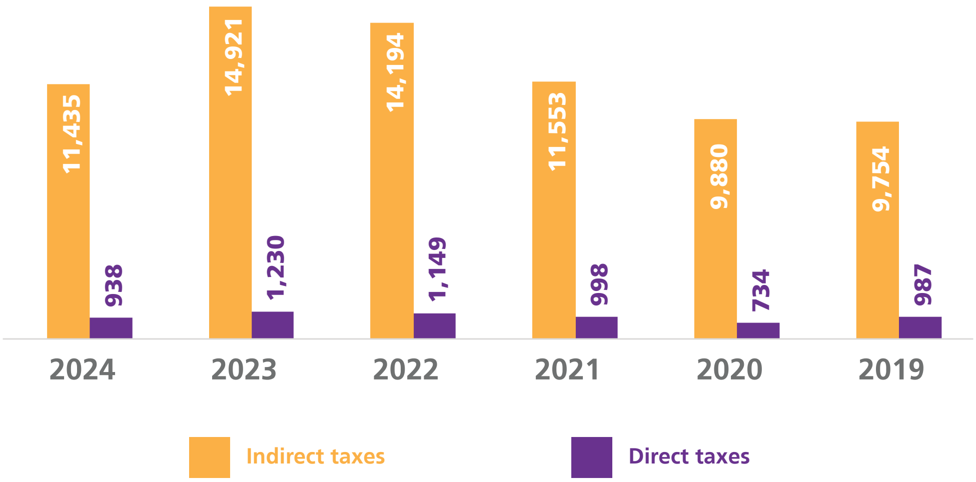
Fuel, Property, Cigarettes, Alcohols, Customs , VAT Income

Table No. (4) and Figure No. (2) indicate that customs constituted the highest tax revenues during 2019-2024, followed by VAT, then fuel, all of which are indirect taxes, which are irresponsive to social justice

Table No. (5): Direct and indirect tax revenues in Palestine 2019-2024 in million ILS

Tax revenues	2019	2020	2021	2022	2023	2024
Direct taxes	986.8	734.4	997.5	1,148.8	1,230.3	938.0
Indirect taxes	9,754.5	9,879.9	11,552.6	14,193.5	14,920.6	11,435.0
Total	10,741.3	10,614.3	12,550.1	15,342.3	16,150.9	12,373.0

Figure No. (3): Direct and indirect tax revenues in Palestine 2019-2024 in million ILS

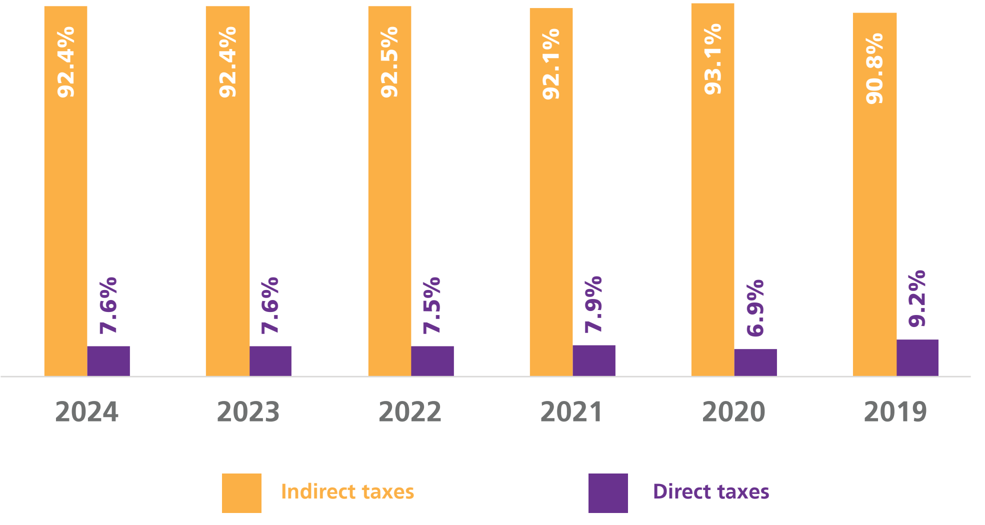


The amount of direct taxes in Palestine is not commensurate with indirect taxes, according to the best practices of tax systems, and the tax philosophy, in particular the principles of progressivity and wealth redistribution to ensure social justice.

Table No. (6): The percentages of direct and indirect taxes in Palestine 2019-2024.

Tax revenues	2019	2020	2021	2022	2023	2024
Direct taxes	9.2%	6.9%	7.9%	7.5%	7.6%	7.6%
Indirect taxes	90.8%	93.1%	92.1%	92.5%	92.4%	92.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Figure No. (4): The percentages of direct and indirect taxes in Palestine 2019-2024.



- Tax revenues constitute the largest share of the Treasury revenues, constituting more than 90% of total revenues. This percentage has increased during 2019-2024, with an average of 90.3% of total revenues coming from taxes during this period.
- Indirect taxes account for the largest portion of tax revenues, with direct taxes comprising more than 92% of total tax revenues throughout the period 2019-2024.
- Direct taxes (Income, Property) constitute less than 8% of total tax revenues throughout the period 2019-2024.

The above descriptive and quantitative overview reveals that the current tax system is neither fair nor responsive to gender and social justice, as it focuses primarily on indirect taxes.

Israeli Hijacking of Public Revenues and Tax Revenuses and its Impact on Tax and Social Justice

The Paris Economic Protocol is the regulatory framework of the economic and financial relations between PNA and Israel. It was signed in Paris on 29 April 1994, as an Annex to the Oslo Agreement. The Paris Economic Protocol was intended for the interim period 1994-1999, however, it continues to govern economic relations, over 30 years after its signing. The Protocol consists of 82 articles that regulate economic relations through the Joint Economic Committee (JEC) for five years, the interim period of the Oslo Agreement, which ended in 1999. However, this committee held several meetings, until Israel froze it following Al-Aqsa Intifada in 2000, after which it met only a few times.

This Protocol sets out the contractual agreement that governs bilateral economic relations. It includes the West Bank and Gaza Strip during the interim period and was implemented according to the stages identified in the Declaration of Principles on Interim Self-Government Arrangements signed in Washington D.C. in 1993, and the agreed minutes annexed thereto.[68]

The items of the Paris Economic Protocol are very broad, and their implementation largely depends on compliance, mutual trust and cooperation between the two parties, in addition to the effectiveness and regular meetings of the JEC. However, following the Israeli policies and measures after the year 2000, and freezing the work of the JET, the burden of the Protocol on the Palestinian economy increased, due to Israel's selective implementation and failure to adhere to many of its provisions[69]. This is exemplified by the increased exit tax levied at the Allenby Bridge with Jordan, without coordination with the PNA and without delivering the PNA's share of that tax.

According to the Agreement, the economic relationship between the PNA and Israel is subject to a unified customs envelope, which tightened Israel's economic control over the Palestinian economy. In 2000, after the Second Intifada, Israel significantly strengthened its economic hegemony over the PNA, further restricting the Palestinian economy, exerting full control over crossings, borders, and trade movement. The situation was further exacerbated by the Palestinian division in 2007 and the subsequent political, economic, and social issues.[70] In practice, the Paris Economic Protocol did not limit PNA's expenditures, but restricted its control over revenues.

68 Paris Economic Protocol between the PNA and Israel signed on 29 April 1994, Article No. 1

69 Sh'uaibi Hala, Economic Paris Protocol, Text versus Implementation MAS, 2013, P.7.

70 In 2007, a Palestinian political and geographic division occurred between the West Bank and the Gaza Strip. Israel did not recognize the ruling authority in the Gaza Strip and cut off financial relations with it, causing the public treasury to lose significant revenues.

Due to the unified customs envelope between Israel and PNA, Israel collects and manages taxes, customs, and excise imposed on goods imported to the Palestinian side, whether from Israel or through the different Israeli border crossings. This applies to trade exchanges between Israel and the West Bank and Gaza Strip, which later became known as the "clearance" system, which includes the following items:

- Customs.
- Fuel taxes.
- Value-added tax (VAT).
- Purchase tax, related to certain Israeli products purchased in the Palestinian Territories and some Palestinian products purchased in the Israeli side.
- Income tax for formal workers employed within the Green Line and the settlements.

According to the Paris Economic Protocol, Israel deducts 3% of the total monthly clearance revenues as an administrative fee and transfers the remaining revenues to the PA.

One of Israel's monthly deductions from the clearance revenues is called "net lending". This term, used since the establishment of the Unified Treasury Account in 2002, refers to the amounts that Israel deducts from clearance revenues to settle debts owed to electricity and water suppliers from Israel by Palestinian municipalities, distribution companies and other parties.[71] The "net lending" issue arises from the failure of local authorities and utilities companies in the West Bank and Gaza Strip to pay electricity and water bills to the supplying entities.

Reports of the World Bank and the International Monetary Fund have indicated the need to reduce the collection fees that Israel charges suggesting that the fee should be based on actual costs, which the World Bank estimated in one report should not exceed 0.6%. This clearly exposes the scale of Israeli overcharge in this matter alone.[72]

Quantitative Development of the Clearance Revenues

The volume of clearance revenues has steadily grown since PNA establishment. The revenues increased from US$351.7 million in 1996 to US$3,146.2 million in 2022, representing an increase of 895%. Moreover, the share of clearance revenues from PNA's net public revenues increased from 54.4% to 67.2%.

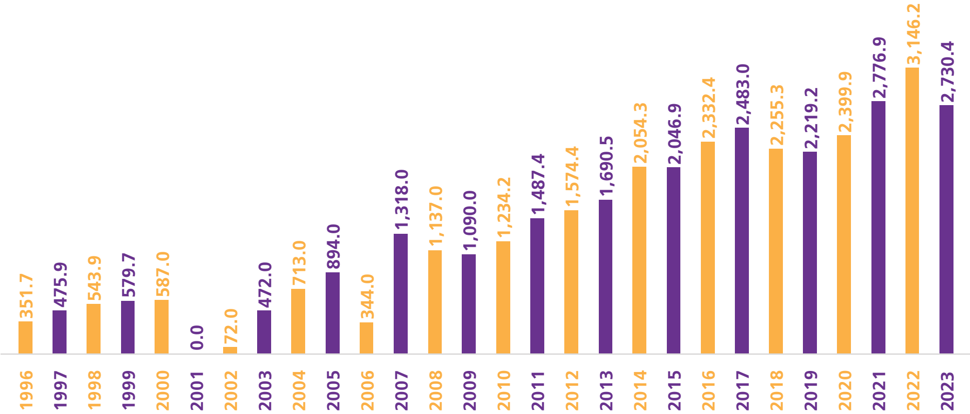
71 Coalition fosr Accountability and Integrity, AMAN, Net Lending and its Impact on Budget Deficit and Wasting Public Funds, 2017.

72 Coalition for Integrity and Accountability (AMAN). The Palestinian Tax System "Transparency in the Financial Relations between the PNA and Israel". 2024. Ramallah-Palestine.

Table No (7): Development of clearance revenues and on a cash basis (in million US$) from 1996 to 2023[73].

Year	Clearance revenues	Year	Clearance revenues
1996	351.7	2010	1,234.2
1997	475.9	2011	1,487.4
1998	543.9	2012	1,574.4
1999	579.7	2013	1,690.5
2000	587.0	2014	2,054.3
2001	0.0	2015	2,046.9
2002	72.0	2016	2,332.4
2003	472.0	2017	2,483.0
2004	713.0	2018	2,255.3
2005	894.0	2019	2,219.2
2006	344.0	2020	2,399.9
2007	1,318.0	2021	2,776.9
2008	1,137.0	2022	3,146.2
2009	1,090.0	2023	2,730.4

Figure No. (5): Development of clearance revenues and their percentage of net revenues on a cash basis (in million US$) from 1996 to 2023



73 Palestine Monetary Authority (PMA), Revenues, Expenditures and Sources of Financing of the Palestine National Authority (Cash basis), 1996-2023.

The Israeli measures for Hijacking Public Revenues and Tax Revenuses

Over the past 30 years since the establishment of the PNA, Israel has withheld or "hijacked" clearance revenues on numerous occasions, under various pretexts. This practice began in 1997 during the Tunnel Intifada and continued throughout the Second Intifada from 2000 to 2002. Withholdings also occurred in 2006-2007 following Hamas's victory in the Gaza legislative elections, and again in 2011 and 2013 when the PNA sought UN recognition as an observer state. Further withholdings took place in 2014-2015 as Palestine moved to join the International Criminal Court.

Legalization of seizure and hijacking of clearance revenues

In 2018, Israel legalized seizing those funds when the Israeli Parliament (Knesset) passed a law allowing the withholding of sums equivalent to the financial allocations that PNA pays to the families of martyrs and prisoners. This decision was enforced in early 2019.[74]

With this approach, Israel adopted a new strategy of deducting from Palestinian funds that it collects on behalf of PNA without consultation or approval. The Foreign Affairs and Defence Committee of the Knesset also unanimously approved a proposal to deduct from Palestinian clearance revenues compensations paid to Israeli settlers in the Gaza Envelope.[75] In 2019, Israel deducted around US$3.6 million (approximately ILS12.6 million) from Palestinian clearance revenues, which were paid to 51 Palestinians accused of collaborating with Israel that fled Palestinian prisons during military operations in 2002[76], in addition to numerous deductions made as compensation to Israelis injured in operations in the West Bank and Gaza.

74 The Israeli Law on Freezing Funds from Palestinian Authority Tax Revenues 2018 - https://mezan.org/post/print/28190

75 During a conflict between the Palestinians and Israel, fires broke out in Israeli farms in the Gaza Envelope due to incendiary balloons.

76 Hillis, Raed, Academic Paper: The Crisis of the Clearance Revenues of the PNA in its Political Context and Economic Consequences, Al-Zaytouna Centre, Beirut, Lebanon 2021. P. 12.

Israeli hijacking of clearance revenues after the war on Gaza – Oct. 2023

Following the Israeli aggression on Gaza in October 2023, the Israeli Cabinet decided to further deduct from the clearance revenues the amounts designated for Gaza and the families of martyrs and prisoners. This led to the withholding of 308 million ILS per month, of which 53 million ILS are allocated as allowances to the families of martyrs and prisoners, and 255 million ILS as allowances to Gaza.[77]

PNA's Gaza budget – which covers electricity, water, salaries for employees (especially in the education and health sectors), and public service development projects (water, sewage, roads, housing) – is around 5.5 billion ILS. According to 2024 data of the Palestinian MOF, Israeli deductions from tax revenues under the pretext of allocations for Gaza amounted to around ILS2.55 billion from October 2023 until July 2024, with a monthly average of ILS255 million. Israel deducts these funds as a punitive measure against PNA as it refuses to withhold allocations to Gaza, particularly the salaries of government employees.

Regarding the deductions related to PNA's payments to the families of martyrs and prisoners, data showed that these amounted to ILS3.48 billion from February 2019 to July 2024, with a monthly average of ILS53.5 million. Israel continues to withhold those funds and refuses to release them.[78]

In addition to the sums related to Gaza and the families of martyrs and prisoners (around ILS6.03 billion), Israel also refuses to transfer the PNA's revenues from the Exit Tax at the Jordanian border crossings, which have accumulated over the years to exceed ILS900 million.[79] In practice, Israel has no convincing argument in this regard. Rather this is a fait accompli and an arbitrary disregard of its obligations under the Paris Economic Protocol.

The Israeli measures restrict the PNA's control over its tax revenues, leading to a deep financial crisis that directly affects social justice. Since November 2021, public sector employees, including teachers and doctors, have been receiving partial salaries, which has gravely affected basic services. The restrictions have also reduced services and aid to marginalized groups such as women, children, people with disabilities and the elderly. Furthermore, the ability of the PNA to meet its obligations to the private sector, including companies that supply medicine, print textbooks, and operate private hospitals, has been adversely

77 The Palestinian official news agency "WAFA" (Government Continues to Pressure for the Release of "Clearing" Funds: Israel Withholds 7.26 Billion Shekels and Refuses to Return Them) 11/9/2024, https://www.wafa.ps/Pages/Details/103399

78 The Palestinian official news agency "WAFA" (Government Continues to Pressure for the Release of "Clearing" Funds: Israel Withholds 7.26 Billion Shekels and Refuses to Return Them) 11/9/2024, https://www.wafa.ps/Pages/Details/103399

79 Palestine News and Info Agency WAFA, Israel withholds around 6.93 billion ILS of the Clearance funds and refuses to return them, 18/8/2024: https://wafa.ps/Pages/Details/101649

affected, threatening public services that benefit the poor and marginalized groups.

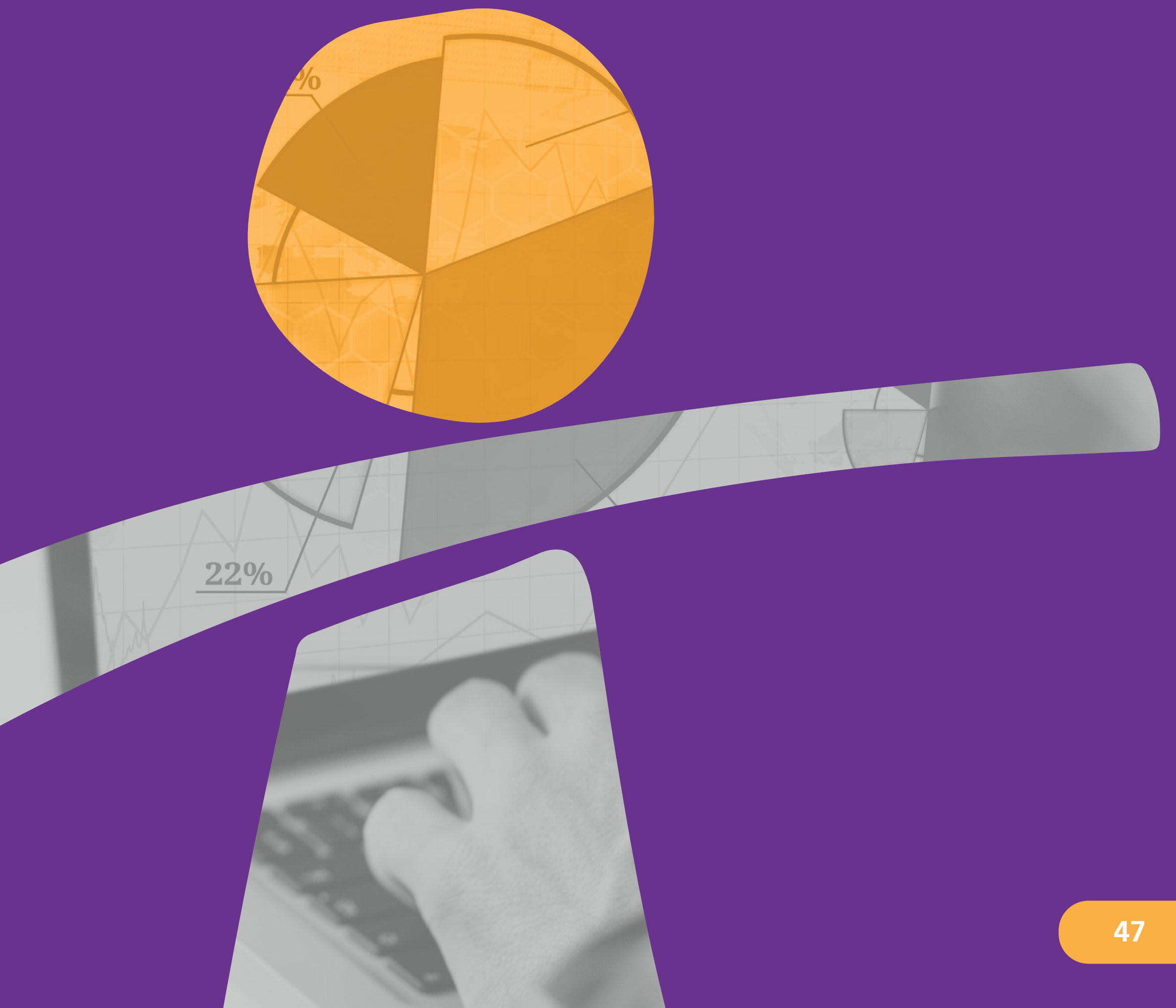
Israel’s hijacking of tax revenues adversely affects gender issues as well as tax and social justice. The financial crisis caused by Israeli deductions from tax revenues led to reducing payments to poor families by half, threatening their social protection and financial and social security. Moreover, the crisis has affected availability and consistency of essential government services, such as education and healthcare, harmed the rights of poor and marginalized groups and undermined the realization of social justice.

Recommendations (Chapter One):

- It is essential to complete the legislative framework for regulating taxes in Palestine, particularly given the many outdated Jordanian and Israeli occupation laws, especially the Customs Law, Value Added Tax Law, and Property Law.
- Tax laws (currently under review) must be gender-responsive, given that the existing tax system does not adequately address these concerns.
- It is imperative to implement the provisions outlined in national plans and public finance management strategies to modernize the Palestinian tax system. This should include the enactment of contemporary legislation, procedures to enhance the system’s efficacy, its responsiveness to social justice, and the transition towards digitalization.
- The government, in partnership with civil society organizations and the private sector, must adopt a comprehensive action plan to achieve economic disengagement from Israel. This is particularly important given Israel’s ongoing hijacking of Palestinian tax revenues. A legal case should be pursued internationally, as these taxes are a rightful entitlement of the Palestinian people.
- Efforts should be directed towards enhancing national products through tax incentives and imposing restrictions on Israeli and imported products. This could serve as a financial policy tool to reduce dependence on clearance tax revenues, increase local tax revenues, and provide sufficient fiscal resources to cover government spending on essential services related to social justice.

Chapter Two

Distribution and Progressivity of the Tax Burden from a Social Justice Perspective



The above quantitative analysis indicates that the Palestinian tax system is not responsive to social justice, or to fair distribution of tax burden, since indirect taxes constitute the largest share of tax revenues in Palestine, amounting to 92.2% of the total tax revenues during 2019-2024. Those are taxes borne by the consumers, while the average direct taxes amount to 7.8% only.

On the one hand, indirect taxes, which constitute the majority of tax revenues, lack progressivity, as they are flat taxes applied to all goods and services, with only a few limited exemptions (rather than a progressive approach). On the other hand, direct taxes, particularly Corporate Income Tax (CIT), are applied at a flat rate of 15% for all companies, regardless of the nature of their economic activity or ownership (with the exception of monopolistic companies taxed at 20%). Personal Income Tax (PIT) is structured into only three brackets: 5%, 10%, and 15%. Meanwhile, property tax is very limited, lacks a comprehensive Palestinian legislative framework, and is not enforced across all Palestinian territories, contributing to less than 0.2% of total tax revenues.

Income Tax (PIT & CIT)

The taxation of Personal Income and Corporate Income is an essential feature of a progressive taxation system, as it is levied on a taxpayer's income and not directly passed on to consumers as with indirect taxes. However, despite its significance, income tax revenues in Palestine are limited, comprising only about 7.8% of overall tax revenues. The very limited role of income taxation in the collection of public revenue contravenes the principles of social and tax justice.

For Personal Income Tax, the following brackets apply:

- From 1 to 40,000ILS at (5%) (after the annual 30,000 ILS exemption).
- From 40,001 to 80,000ILS at (10%).
- Amount above 80,000ILS is taxed at (15%).

In 2015, the annual exemption of the Personal Income Tax was increased from 30,000 ILS to 36,000 ILS. The tax brackets were also adjusted as follows:

- From 1 to 75,000 ILS: (5%) (after the annual 36,000 ILS exemption).
- From ILS 75,001 to ILS 150,000, (10%).
- Above ILS 150,000: (15%).

Individual income brackets are placed into three categories with compressed thresholds. The highest bracket begins at over ILS 80,000 annually, which effectively includes both middle and high-income earners, failing to establish a progressive tax structure. This undermines the principles of social justice.

This tax structure also cannot be considered in line with PIT brackets applied in other similar countries. Generally, PIT progresses through several brackets (often ranging from 5 to 7 brackets) and accounting for around 50% of total tax revenues. In the Eurozone, PIT revenues may reach around 40%, while in neighbouring Arab countries like Egypt and Jordan, it ranges from 25% to 35%. In Israel PIT revenues reaches up to 50%, structured through seven brackets 10%, 14%, 20%, 31%, 35%, 47% to 50%.[80]

Moreover, the contribution of PIT to overall tax revenues is significantly higher in many countries around the world. For example, in Jordan, which shares social and cultural similarities with Palestine, revenues account for approximately 30% of total tax revenues. This level of PIT collection provides additional revenues for the government to support its various services, including education, healthcare, and social protection, which particularly benefit the poor, marginalized, and less privileged groups in the society, who often rely on these public services.

For companies, the CIT is set at 15%, except for monopolies and concessions taxed at 20% and interests arising from microfinance at 10%. There are no reduced CIT rates for Small and Medium Enterprises or other specific sectors. This approach does not support or incentivize small, micro, or medium-sized enterprises, placing them on the same level as large companies in terms of tax rates. Besides the low rates, another reason for the low CIT revenues is the provisions of the Palestinian Investment Promotion Law,[81] which generally benefits large companies rather than small ones. The 2021-2023 Public Financial Management Strategy provided for managing public funds in a gender-responsive manner and included proposals to amend the Income Tax Law from a gender perspective.[82]

80 The brackets of Income Tax in Israel, 2023, https://www.kolzchut.org.il
81 Palestinian Investment Promotion Law No. (1) of 1998 and its Amendments.
82 2021-2023 Public Financial Management Sectoral Strategy, P 103 and 128.

Table No. (8): Comparison of tax brackets between the Palestinian and Jordanian Income Tax laws.

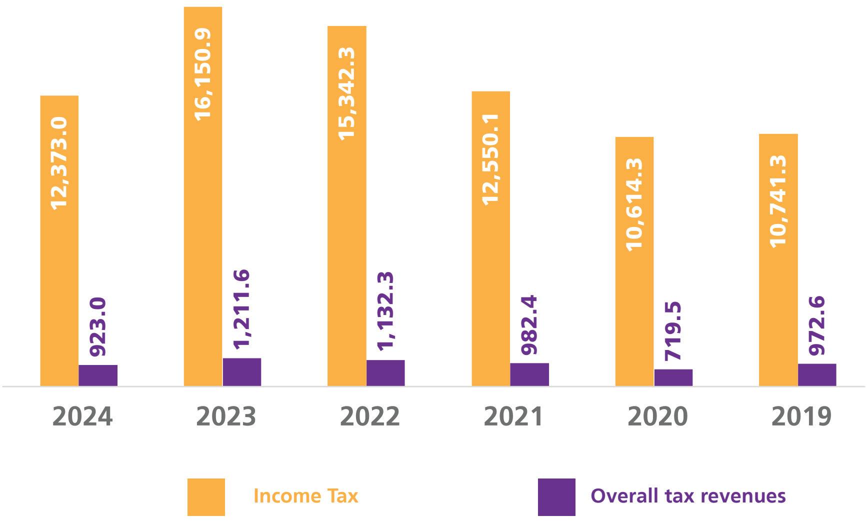
Palestinian law	Jordanian law[83]
Personal Income Tax: Tax brackets are only three, the highest is 15%.	Personal Income Tax: Tax brackets are 6, reaching 30% of income.
Corporate Income Tax: 15% except monopolies at 20%	Corporate Income Tax: From 20% up to 35%

Table No. (9): Evolution of Income tax and its percentage of overall tax revenues 2019-2024 in million ILS[84]

Year	Income tax rate	Overall tax revenues	Income tax Percentage
2019	972.6	10,741.3	9.1%
2020	719.5	10,614.3	6.8%
2021	982.4	12,550.1	7.8%
2022	1,132.3	15,342.3	7.4%
2023	1,211.6	16,150.9	7.5%
2024	923.0	12,373.0	7.5%
Average			7.7%

83 Income Tax Law No. (34) and its Amendments, Article (11), Hashemite Kingdom of Jordan
84 Cumulative monthly expenditure reports 2019-2023, and for 2024, the estimated General Budget data was used.

Figure No. (6) Evolution of Income tax of overall tax revenues 2019-2024 in million ILS



The above data shows that income tax revenues increased from ILS972.6 million in 2019 to ILS1,211.6 million in 2023, i.e. a 25% increase. However, this increase is not attributed to higher tax brackets but rather the result of greater efficiency within the income tax departments, thanks to the relative shift toward automation and the registration of taxpayers in the computerized Revenue Management System (RMS).

In an August 2024 interview with Imad Abu Subha, Director General of Income Tax at MOF, he mentioned ongoing work to introduce amendments to the Income Tax Law, which aim to make the law more responsive to tax justice and enhance social justice; those amendments remain under preparation.[85]

85 Interview with Imad Abu Subha, Director General of Income Tax at MOF, August 2024.

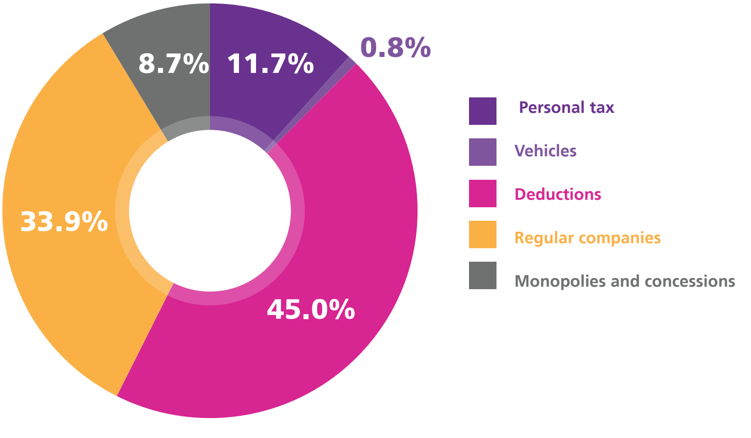
Corporate Income Tax and Personal Income Tax

According to the updated data of the General Administration of Income Tax as of end of 2023, the percentages of the different components of income taxation were as follows:[86]

Table No. (10): Comparison of percentages of PIT, including vehicles, deductions, and CIT for 2019-202387

Year	Personal tax	Vehicles	Deductions	Regular companies	Monopolies and concessions
2019	14.1%	0.9%	48.8%	27.9%	8.3%
2020	12.4%	0.8%	40.7%	36.1%	10.0%
2021	9.6%	0.8%	52.0%	30.1%	7.4%
2022	11.0%	0.7%	42.5%	37.0%	8.8%
2023	11.3%	0.6%	40.8%	38.6%	8.8%
Average	11.7%	0.8%	45.0%	33.9%	8.7%

Figure No. (7): Comparison of percentages of personal Income tax, including vehicles, deductions and companies for 2019-2023

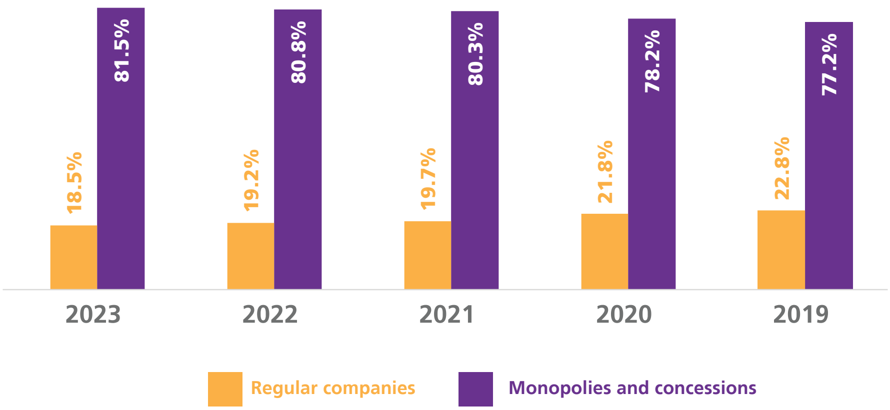


86 Decision by Law on 2024 General Budget.
87 These categories are part of the classifications of the Palestinian accounting system for income taxation.

Monopolies and concessions, regular companies, deductions, vehicles, individual tax

Upon reviewing and analyzing the CIT data for the years 2019-2024, and segregating them between regular companies and monopolies and concessions, the percentages were as follows:

Figure No. (8) Percentage of CIT of regular companies compared to monopolies and concessions 2019-2024



It is imperative to issue a legislation that accurately defines monopolies and concessions, rather than leave it to personal discretion, because of the financial impact of this definition, which affects the CIT tax bracket.

Given that the absence of legislation clearly defining monopolistic and non-monopolistic companies may result in lost tax revenues for the state, approximately 25% of the taxable income from those companies could be at risk. This is because the corporate income tax rate for monopolistic companies is 20%, while if treated as regular companies, the rate drops to 15%, representing a 5% difference, or 25% of the 20% tax rate.

Wealth Tax - Property Tax & Education Tax

Property Tax:

The Jordanian Property Tax Law of 1954, along with its amendments, remains in effect in OPT.[88] Property tax is collected annually at a rate of 17% of the annual rental value of buildings and properties. The MoF is responsible for collecting this tax and transfers 90% of the amount to local authorities, while retaining 10% for itself.

However, the regular transfer of Property Tax revenues between the MoF and local authorities are not regular. The MoF withholds portions of these revenues to clear debts owed by local authorities, particularly for water and electricity supplied from Israeli companies, which are deducted through net lending. The irregular transfer of these revenues has created financial crises for local authorities and had a negative impact on their ability to provide services to citizens, particularly marginalized and poor groups.

In 2022, some municipalities were granted the authority to directly collect property tax. This measure was adopted by the Cabinet to bolster the financial resources of local authorities. However, its implementation came with several conditions stipulations by the MoF, including increasing the Ministry's share of the revenues from 10% to 16%, which created issues with local authorities and the Association of Local Authorities. It is worth noting that the MoF is also engaged in financial offsetting with local authorities, deducting larger sums from property taxes of up to 50%, to settle previous debts. This has had varying outcomes for local authorities depending on the deduction rates. Nevertheless, this decision has provided additional revenues to local authorities for their various programs and projects.

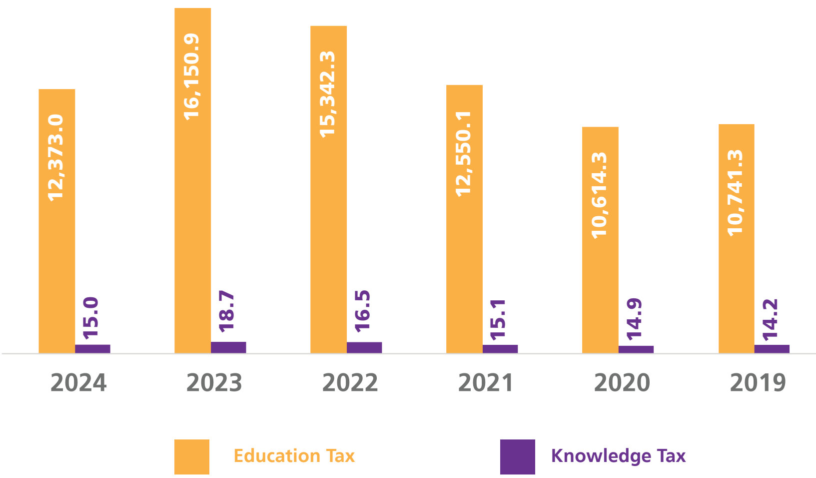
As of October 2024, 36 local authorities have been granted the responsibility to collect property tax. It is worth noting that there are lingering issues regarding citizens' compliance with paying this tax.

88 The Law of Building and Land Tax within the Areas of Municipalities and Local Councils, Law No. (11) of 1954 and its amendments

Table 11: Property Tax Value and Percentage of Total Tax Revenues from 2019-2024 – in ILS (million)

Year	Property Tax	Total Tax Revenues	Property Tax Rate
2019	14.2	10,741.3	0.13%
2020	14.9	10,614.3	0.14%
2021	15.1	12,550.1	0.12%
2022	16.5	15,342.3	0.11%
2023	18.7	16,150.9	0.12%
2024	15.0	12,373.0	0.12%
Average			0.12%

Fig. No. (9): Property tax value as a percentage of total tax revenues from 2019 to 2024 –ILS (millions)



Education Tax (Knowledge Tax):

A special system for the Education Tax (also known as the Knowledge Tax) was enacted in 2021,[89] which maintained the tax rate at 7% of the rental value of the property. It is collected through local authorities only in areas subject to property assessments. The MoF has no involvement in this tax, and there is no available data regarding its size or the extent of citizens' compliance with payment.

There are significant issues with Property and Education taxes, particularly in rural areas. The property appraisal system remains incomplete, leading to irregular tax collection, which negatively affects implementing social justice in these taxes.

89 Education Tax System, No. (24) of 2021

Value Added Tax (VAT)

The VAT in Palestine, and according to the applicable system, operates as a blind tax, imposed at every stage of production and throughout the transfer of goods and their ownership, from the producer, wholesaler, and retailer to the final consumer. Ultimately, the consumer bears the full cost. Hence, VAT is a sequential tax levied at every stage, with one rate across all types of goods, without distinction between essential and luxury items. Every good & service is taxed at the same rate, with some very limited exceptions (exemptions for activities of charitable organizations, the agricultural sector and the purchase of cars for individuals with disabilities; and real estate, property development activities and stock market activities untaxed due to gaps on the legal framework). No further distinction or graduation is made between commodities to respond to social and tax justice needs.

Since Israel occupied the West Bank and Gaza Strip in 1967, it sought to apply the existing tax systems, including the Jordanian Law of Fees on local products.[90] An amendment to the law constituted a new financial and economic measure, by which taxpayers in the West Bank were required to pay VAT in addition to income tax.

Laws and military orders remained applicable until the Oslo Agreement in 1993, followed by the Paris Economic Protocol. This agreement granted PNA some power to amend VAT, imposed a set of restrictions and developed a joint list of goods that can be imported between the two parties. For example, Article 7 of the Protocol stipulates that, "The PNA shall collect VAT at one rate on all locally produced goods and services, and imports made by Palestinians, whether identified or not in the above mentioned three lists. It may be fixed at 15% to 16%."

A comparison with other countries reveals that the applicable VAT system in PNA and Israel is distinct, since one rate is applied on all goods and services, seeking to increase the effectiveness of the collection, while in other countries the rates vary according to goods/services. In many countries, including Jordan, the sales tax system is graduated, progressing from 0% to 2%, 4%, 5%, 10% and forward.[91] No distinction is made in the tax rates between essential and luxury goods, nor essential goods for women or children. This does not help realize any form of gender or social justice in general.

90 Jordanian Law of Fees on Local Products No (16) of 1963, amended in July 1976 based on the Military Order No. 658 about Fees on Local Products

91 Jordanian Ministry of Finance, Income and Sales Tax Department, https://istd.gov.jo/AR/List

The applicable VAT system in Palestine does not meet the principles of tax fairness, as it does not distinguish between the rich and the poor, nor does it distinguish between essential or luxury goods. Currently the VAT rate is fixed at 16%, with limited exceptions (previously mentioned).[92] These are very limited exceptions and suffer from administrative obstacles, particularly regarding tax refunds for the agricultural sector, as it requires opening tax files for the beneficiaries, paying the full amount in advance and then waiting for a refund, which may take several years.

PNA drafted a draft VAT law for the first time in 2021, which provides for imposing fees on local products, designed to replace Law No. 16 of 1963, Customs law, Tax Unification law No. 25 of 1966 and the relevant military orders. However, the draft law has not been approved as of the date of preparing this report.

In 2022, civil society organizations led by MIFTAH, held several consultation meetings with the MoF and issued a position paper on the responsiveness of the draft law to social justice.[93] Several changes were made to the original draft based on recommendations of the study, due to the pressure exerted by civil society organizations. The most significant impact was the agreement with the MoF to avoid applying a fixed VAT rate to all goods and services. Instead, the tax would be applied progressively, based on whether the item is a basic or luxury good. An advisory list was prepared outlining key goods and services, along with proposed VAT rates ranging from 0% to 16%, and it was submitted to the MoF. However, as of the preparation of this study, the law is yet to be enacted.

Other measures influenced by civil society organizations included the VAT exemption on the activities and operations of civil society organizations and the removal of the requirement for prior approval from tax authorities to obtain funding.

> In an August 2024 meeting with Lu'ay Hanash, Director-General of VAT, Customs and Excise Tax at MoF, he pointed out that the draft law is under the final review, includes progressivity in the tax rate according to commodity/service, adopts clear legal basis, and enables PNA to apply progressive taxes and provide tax exemption packages.[94]

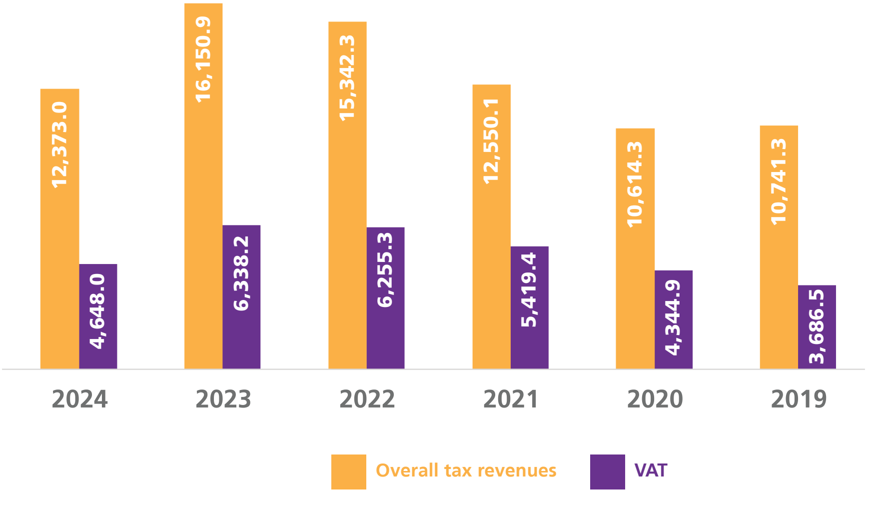
The following table shows the development in VAT tax revenues during 2019-2024.

92 Coalition for Accountability and Integrity, AMAN, The Palestinian Tax System (Social Justice- corruption risk management financial relations with Israel) 2023, Ramallah, Palestine.
93 Research paper, Research paper on "The Proposed Draft Value Added Tax Law" 2022, MIFTAH. http://multimedia.miftah.net/PublicationDetails2020.cfm?id=228
94 Interview with Lu'ay Hanash, Director-General of VAT, Customs and Excise Tax at MOF, August 2024.

Table No. (12): Value and percentage of VAT from overall tax revenues 2019-2024 in million ILS[95]

Year	VAT	Overall tax revenues	Percentage from overall revenues
2019	3,229.5	10,741.3	30.1%
2020	2,889.6	10,614.3	27.2%
2021	3,225.6	12,550.1	25.7%
2022	4,217.2	15,342.3	27.5%
2023	4,335.5	16,150.9	26.8%
2024	3,308.0	12,373.0	26.7%
Average			27.3%

Figure No. (10): Value of VAT from overall tax revenues 2019-2024 in million ILS



95 Cumulative monthly expenditure reports 2019-2023, and for 2024, the estimated General Budget data was used.

Table No. (12) reveals that VAT revenues constitute around 27.3% of overall tax revenues, although the percentage has decreased in comparison with other taxes, but not in absolute figures (except in 2020 due to the economic recession resulting from Covid-19 pandemic). The increase in other components of the tax system has affected this data, with VAT ranking second after customs.

Customs

The applicable customs system in Palestine is the Jordanian Customs and Excise Law No. (1) of 1962 and the related Israeli military orders. PNA prepared a draft Customs Law in 2022, however it has not been approved as of the time of preparing this study. The following table indicates the development of customs revenues during 2019-2024.

Table No. (13): Value and percentage of customs in overall tax revenues 2019-2024 in million ILS[96]

Year	Customs	Overall tax revenues	Percentage from overall revenues
2019	3,686.5	10,741.3	34.3%
2020	4,344.9	10,614.3	40.9%
2021	5,419.4	12,550.1	43.2%
2022	6,255.3	15,342.3	40.8%
2023	6,338.2	16,150.9	39.2%
2024	4,648.0	12,373.0	37.6%
Average			39.3%

96 Cumulative monthly expenditure reports 2019-2023, and for 2024, the estimated General Budget data was used.

Figure No. (11): Value of customs in overall tax revenues 2019-2024 in million ILS

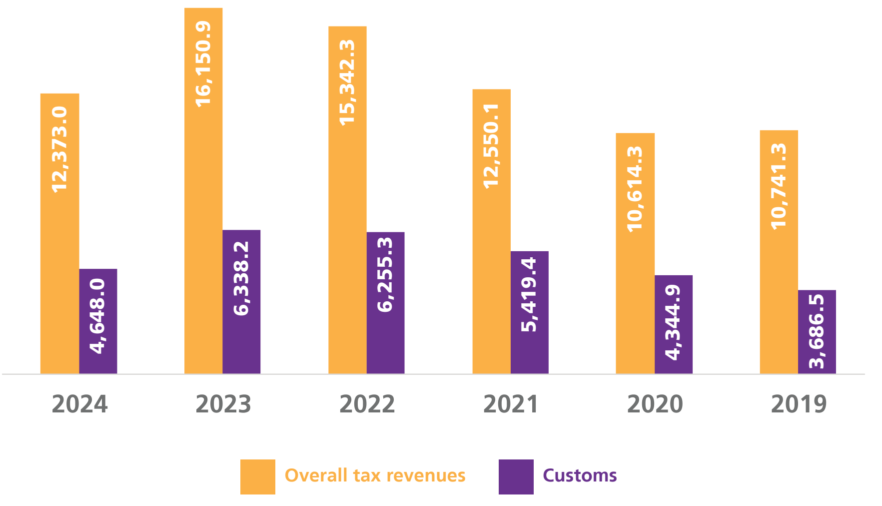


Table No. (13) shows that customs constitute the largest share of taxes, with an average percentage amounting to around 39.3% of overall tax revenues during 2019-2024. This tax is borne by the end user, the citizen, and it does not respond to the principles of tax justice that realize social justice.

In an August 2024 interview with Lu'ay Hanash, Director-General of VAT, Customs and Excise at MoF, he indicated that work on the draft customs law is ongoing. He pointed out that it includes preferential customs treatment for goods and categories that promote social justice, through the customs exemption packages included in the draft law.[97]

The new Customs Law is expected to address gender and social justice issues by including customs exemptions for agricultural production inputs, as well as for small businesses or companies that will export their products, in order to promote Palestinian exports. However, as of the preparation of this study, the new law is yet to be approved.

97 Interview with Lu'ay Hanash, Director-General of VAT, Customs and Excise Tax at MOF, August 2024.

Fuel Tax:

It is a blind indirect tax, consisting of several taxes (fixed and percentage-based), amounting to approximately 68% of the final consumer price.[98] Any person using fuel derivatives, whether poor and marginalized or wealthy, is impacted directly by this tax. Due to Palestine's customs union with Israel and the fact that all petroleum derivatives in Palestine come through Israel, the structure of indirect taxes is similar. Israel imposes a special tax on petroleum called the «blue tax,» which is a fixed amount of approximately 3 ILS, or 0.8 USD. In addition, VAT is applied on the entire amount, including the price and the blue tax. As a result, the price of a liter of gasoline in Palestine is approximately 2 USD.

Table No. (14): Value and percentage of Fuel tax of the overall tax revenues 2019-2024 in million ILS[99]

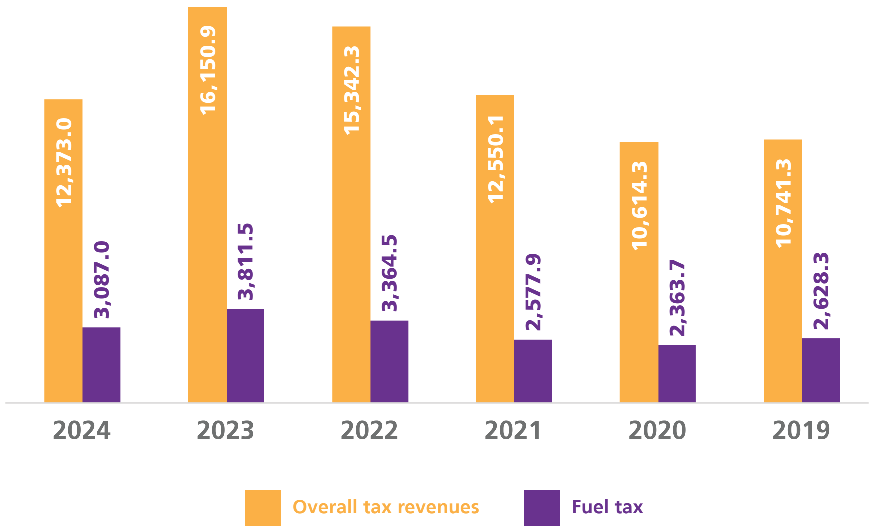
Year	Fuel tax	Overall tax revenues	Percentage from overall revenues
2019	2,628.3	10,741.3	24.5%
2020	2,363.7	10,614.3	22.3%
2021	2,577.9	12,550.1	20.5%
2022	3,364.5	15,342.3	21.9%
2023	3,811.5	16,150.9	23.6%
2024	3,087.0	12,373.0	24.9%
Average			23.0%

It is noted that the percentage of fuel tax has significantly decreased in 2021 because of Covid-19 pandemic and decreasing oil prices, and it subsequently in creased significantly because of the increase in fuel prices in Palestine.

98 Coalition for Accountability and Integrity, AMAN, 2017. "General Petroleum Commission, Hopes and Reality", Ramallah, Palestine.

99 Cumulative monthly expenditure reports 2019-2023, and for 2024, the estimated General Budget data was used.

Figure No. (12): Value and percentage of Fuel tax of the overall tax revenues 2019-2024 in million ILS



The data in Table No. (14) shows that the Fuel tax, which ranks third in tax revenues, constituting an average of 23% of overall tax revenues during 2019-2024. Many countries around the world reduce taxes and excise duties on household gas since all groups of citizens use it. Moreover, tax reductions on diesel are often applied as public transportation, factories, and agricultural machinery use it, to discriminate positively in a manner that enhances social justice. Although the government allocated a fuel subsidy for public transportation, its budget was limited, amounting to 642 million ILS only in 2023, compared to fuel tax revenues of 3,811.5 million ILS[100].

Special Excise Duties:

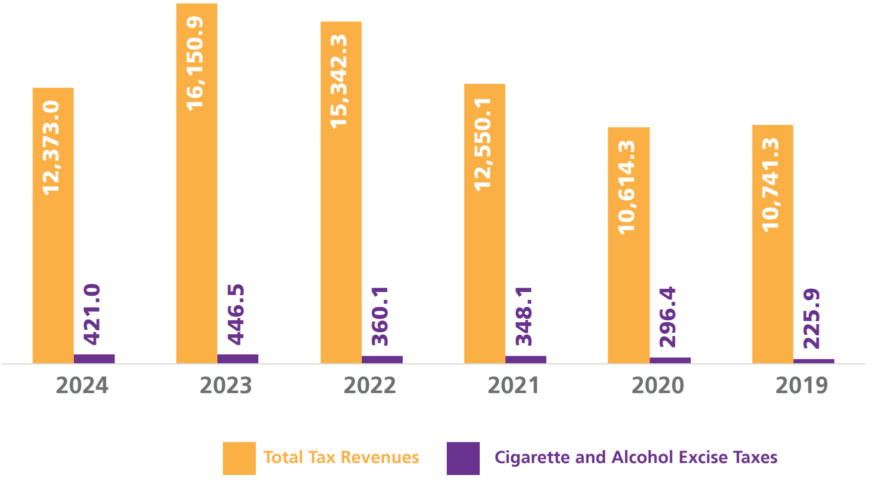
These are specific customs duties on certain goods (such as cigarettes and alcohol), and are part of indirect taxes. The table below shows the value of excise duties on cigarettes and alcohol and their percentage of total tax revenues for the years 2019-2024.

100 Cumulative monthly expenditure reports 2019-2023, and for 2024, the estimated General Budget data was used.

Table No. (15): The value of cigarette and alcohol excise taxes and their percentage of total tax revenues from 2019 to 2024 – in ILS (millions)[101]

Year	Cigarette and Alcohol Excise Taxes	Total Tax Revenues	Percentage from overall revenues
2019	225.9	10,741.3	2.10%
2020	296.4	10,614.3	2.79%
2021	348.1	12,550.1	2.77%
2022	360.1	15,342.3	2.35%
2023	446.5	16,150.9	2.76%
2024	421.0	12,373.0	3.40%
Average			2.70%

Fig. No. (13): Value of Cigarette and Alcohol Excise Taxes as a Percentage of Total Tax Revenues (2019-2024) – in Million ILS



101 From the cumulative monthly expenditure reports for the years 2019-2023, and in 2024, reliance was placed on the estimated public budget data

Minimum Wage

Article 87 of the Palestinian Labor Law provides for the minimum wage, setting the COM as the responsible entity to determine it.[102] A COM decision set the minimum wage in 2012,[103] later amended by COM Decision No. 4 of 2021. 104 It is currently set at 1,880 ILS. It should be noted that the minimum wage is not sufficient to provide a decent standard of living.

Implementation of this decision remains limited, creating a wage gap between males and females in the Palestinian society, especially since women are generally less covered by the provisions of the Law.

The reason for this issue is not the legislative framework itself, but rather its application. The law is not implemented as required, and there are no effective measures to compel employers to enforce it. Given the high unemployment rate among women, many are forced to work for wages below the legal minimum due to the lack of alternative opportunities.

The law covers all sectors except for the domestic services sector, which remains outside the scope of Palestinian labor law. However, women in other sectors also suffer from the non-application of legal provisions and weak official monitoring, especially following the war on Gaza.

Wage gaps between men and women continue to exist. According to data from the Palestinian Central Bureau of Statistics (PCBS), the average daily wage for male workers in Palestine is 150.6 ILS, compared to 105.9 ILS for females.[105] This reveals a gender gap and wage discrimination from a gender and social justice perspective.

The Informal Sector

The informal sector has a negative impact on the effectiveness and fairness of the tax system, as it is a large sector that does not adequately comply with laws and regulations, whether related to labor or tax systems. Consequently, taxes are not adequately collected from this sector, adversely affecting both tax revenues and tax justice. It is necessary to regulate this sector through legislation and an economic and social protection framework for its workers. Hence, the need to enact social security legislation and adopt a participatory approach involving

102 The Palestinian Labor Law No. (7) of 2000, Article (87).
103 COM Decision No. (11) of 2012 on adoption of minimum wage in all PNA territories
104 COM Decision No. 4 of 2021 on the implementation of the minimum wage in Palestine
105 Palestinian Central Bureau of Statistics, Palestinian Labour Force Survey, Annual Report: 2022, Ramallah, Palestine, P. 89, Table No. (42).

all stakeholders through tripartite negotiations (government, employers and employee representatives) and civil society organizations. This approach would help regulate the informal sector and provide economic and social protection for its workers while at the same time enforcing tax justice.

According to the PCBS,[106] informal employment constitutes more than half of the total workforce in Palestine (excluding the agricultural sector), accounting for 53% in 2022. In the agricultural sector, approximately 95% of workers are informal, with only 5% formally employed. There has been no significant change in the proportion of informal employment compared to 2008, when it was approximately 54%.

Around 406,000 workers are employed in the informal sector within Palestine, contributing about 22% to the Gross Domestic Product (GDP), valued at 3.7 billion USD. The distribution of informal workers is as follows: 185,000 workers in family-based project, and 221,000 workers in unregistered establishments, respectively contributing 7% and 15% to the total GDP. On the other hand, data shows a decrease in the contribution of family-based projects to the GDP, from 9% in 2008 to 7% in 2022.

Here are the key findings from the informal sector survey in Palestine[107]:

- More than half of Palestinian workers are classified as informal laborers, with a disparity in informal employment rates between males and females, and similar regional rates between the West Bank and Gaza Strip.
- The total number of Palestinian workers in 2022 (excluding the agricultural sector) was around 1.1 million. Informal labor constituted 53% of the total workforce, with 558,000 informal workers.
- Among the informal workforce, 503,000 are male (56% of all male workers) and 55,000 are female (32% of all female workers), showing a significant gender disparity.

106 PCBS. "Palestinian Central Bureau of Statistics issues a press release on Features of the Informal Sector in Palestine 2022". Check the link: https://shorturl.at/Mb84o

107 Ibid

- Regionally, informal employment rates are similar between the West Bank and Gaza Strip. In the West Bank, 419,000 workers were employed informally, accounting for 53% of its total workforce, with around 29,000 workers in Jerusalem and 128,000 working in Israel and Israeli settlements. In Gaza, 139,000 workers were employed informally, representing 52% of its total workforce.
- Over 102,000 workers in the informal sector are self-employed, representing 18% of the total informal workforce. Among these, 88,000 are male and 14,000 are female.
- The largest segment of informal workers (77%) is in wage employment, totalling 428,000 workers. Additionally, 28,000 workers (5% of the total informal workforce) are family members working without pay.
- The majority of informal employment is concentrated in the construction and trade, restaurant, and hotel sectors. Specifically, 33% of informal workers are in construction (183,000 workers), 31% are in trade, restaurants, and hotels (176,000 workers), and 18% work in mining, quarrying, and manufacturing (102,000 workers). The services sector and the transport, storage, and communications sectors show the lowest participation rates, contributing only 12% and 6%, respectively.
- Around 60% of informal workers are employed in primary and craft occupations. Specifically, 178,000 workers (32%) are in crafts (including construction-related jobs, metalworking, traditional industries, food preparation, and others), while 143,000 workers (26%) are in primary occupations (such as cleaning, agriculture, mining, construction, and street vending). Approximately 127,000 workers (23%) work in services or as market vendors. The least represented occupations in the informal sector are professionals, specialists, and senior management positions.

In practice, there is no standardized tax system for the informal sector. Government policies exist to encourage informal businesses to register, such as facilitating registration processes, providing temporary exemption from fees, and offering an incentive exemption from VAT for sales turnover up to 50,000 ILS. However, these policies are insufficient to convince informal businesses to enter the formal market, due to concerns over the costs and tax-related restrictions. Additionally, there are no significant differences in tax rates across economic sectors, with no positive discrimination for women or other vulnerable groups.

This chapter reveals that the Palestinian tax system is irresponsive to tax justice and social justice and overall lacks the principle of progressivity due to the overreliance in indirect taxes. No amendments have been made to the Income Tax Law between 2019-2024 to improve its responsiveness to gender and social justice issues. Neither VAT Law nor Customs Law currently under consideration – which include provisions responsive to social justice – have been approved. There is a significant wage gap between males and females, and the informal sector lacks social protection due to the absence of a social security law, which adversely affects women working in this sector in particular.

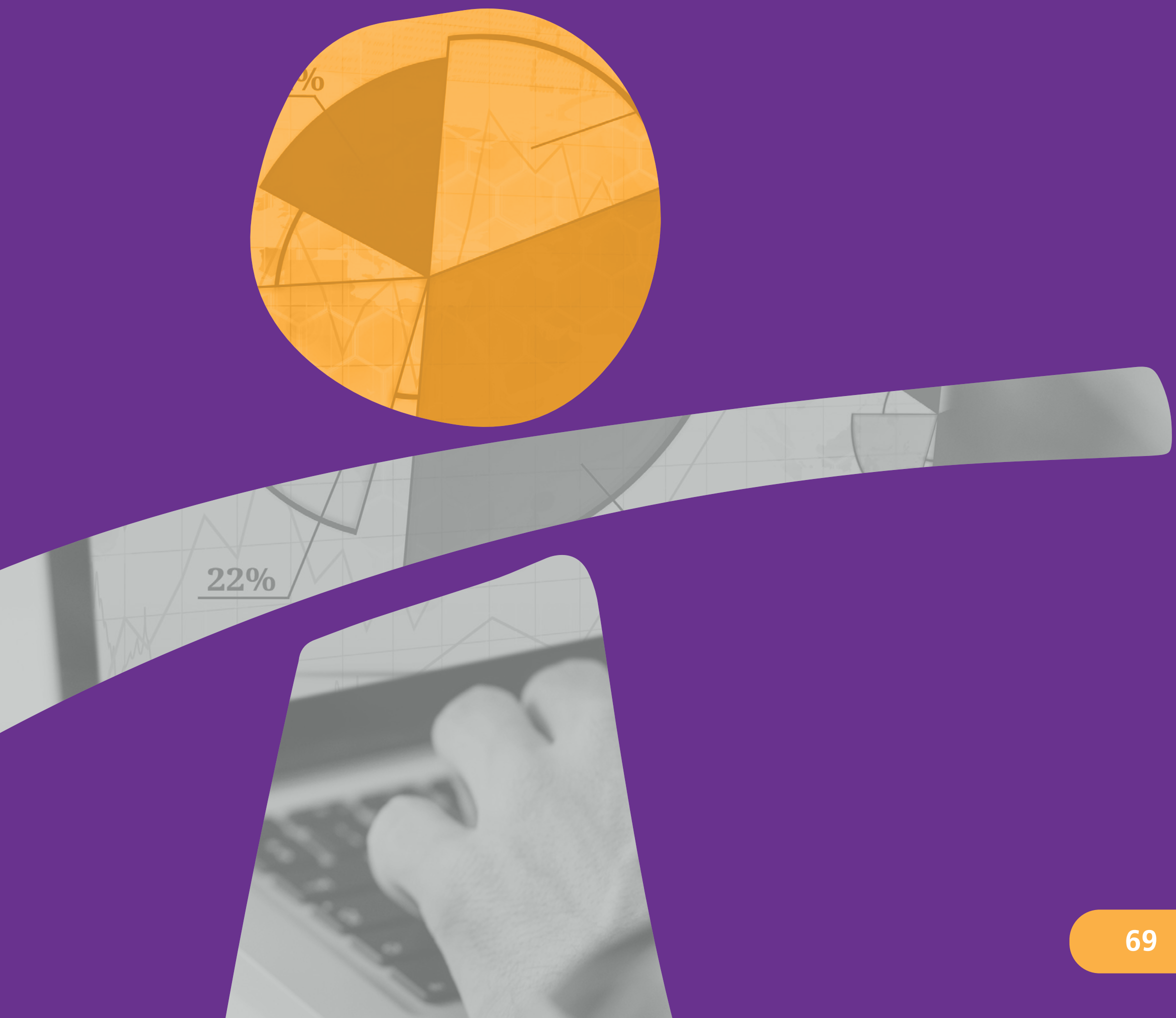
Recommendations (Chapter Two):

- The ratification of a VAT law, in line with the working paper presented by civil society institutions and MIFTAH, to incorporate the principle of graduated VAT rates in order to promote gender equality and social justice.
- Ratification of a Customs Law that includes provisions benefiting marginalized and impoverished groups, through a package of customs exemptions that ensure the implementation of tax and social justice.
- Updating the Income Tax Law by increasing the number of tax brackets for both individuals and companies, expanding the income range for each bracket, and raising the exemption threshold.
- Enacting legislation defining monopolistic companies to properly regulate the imposition of higher income taxes on such businesses.
- Updating the outdated Property Tax Law from the 1950s in line with the principles of tax and social justice.

- Approving Social Security legislation as a means of strengthening social protection, particularly for the informal labor sector.
- Integrating the informal labor sector into the Palestinian tax system, given that it constitutes more than half of the Palestinian economy.
- Restructuring of tax policies to focus more on direct taxes, towards bolstering tax and social justice.
- Adopting a progressive tax policy for income tax, whether for individuals or companies.
- Adopting tax policies that embody the principles of tax and social justice, such as tax exemptions for large families, education, university tuition, persons with disabilities, and female heads of households.

Chapter Three

Adequacy of Public Revenues, Tax Evasion, Customs Smuggling and their Impact on Social Justice and Inequality between Citizens



Adequacy of Public Revenues

Adequacy of public revenues is a problem in Palestine. Although revenues have improved significantly between 2019-2023 (43% increase), 2024 witnessed a significant drop related to the Gaza conflict. Total expenditures and net lending have also increased, and remained higher than the public revenues, as evident in the following table.

Table No. (16): Comparison of the total net revenues, total expenditures, and net lending 2019-2024, in million ILS[108]

Year	Total Net Revenues	Total Expenditures and net lending
2019	12,383.2	16,674.0
2020	11,832.3	16,493.9
2021	13,714.3	17,005.8
2022	16,216.6	17,077.4
2023	17,749.9	18,341.8
2024	13,952.0	17,898.0

Tax revenues notably increased until 2023, before they decreased in 2024 due to the Israeli war on Gaza. In order to make a comparison, in isolation of the effects of inflation and devaluation of currency, a tracking and comparison of tax revenues including GDP was also conducted.

An improvement occurred in the direction of the rate of taxes to GDP in Palestine during the past few years, as the rate increased from (17.4%) in 2019 to (22.4%) in 2022, then decreased because of the war on Gaza in 2023 (21.8%) according to the Palestinian Monetary Authority’s (PMA) Data.[109]

108 Cumulative monthly expenditure reports 2019-2023, and for 2024, the estimated General Budget data was used.
109 Palestinian Monetary Authority, National Accounts Reports 2024.

Figure No. (14): Comparison of the total net revenues, total expenditures, and net lending 2019-2024, in million ILS

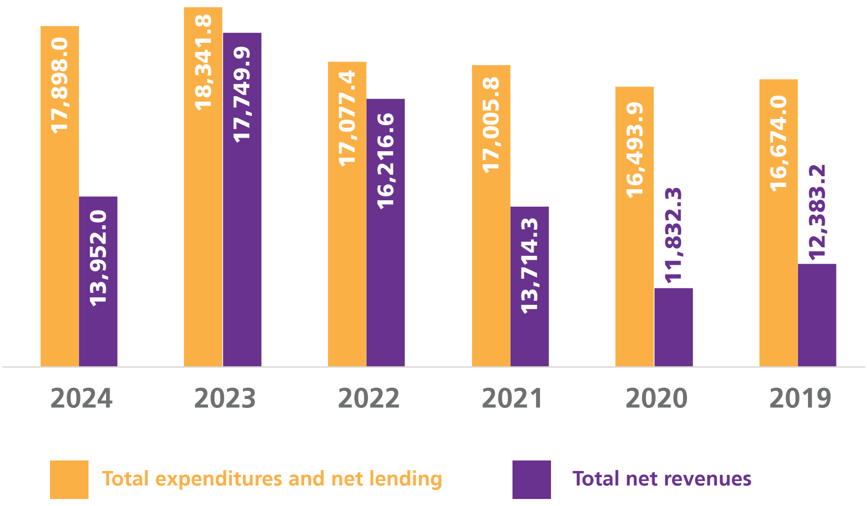


Table No. (16) shows that although public revenues have significantly increased throughout 2019-2024, they were not sufficient to cover the total expenditures, especially with Israeli deductions and withholdings from the clearance revenues since 2019, and the accumulating financial crisis carried forward year after year. The gap between the public revenues and expenditures worsened following 7 October 2023, because of the additional withholdings and hijacking of the clearance revenues, with a monthly amount of around 300 million ILS.

The accumulation of the PNA's financial crisis and carrying it forward year after year is widening the gap between public revenues and PNA's obligations.

Public Debt:[110]

According to the Public Debt Law, public debt refers to the outstanding balance of the government's financial obligations that have not been settled, and for which payment is required. Public debt is divided into internal and external debt:

- External Public Debt: financial obligations the government is required to repay for funds borrowed from foreign countries, international organizations, and foreign institutions, in accordance with the law.
- Internal Public Debt: financial obligations the government is required to repay for funds borrowed through government bonds, local banks, or other local financial institutions.

At the beginning of 2020, the public debt amounted to ILS9,897.9 million.[111] Data from the Palestinian MoF indicates that by the end of October 2024, the public debt had increased to ILS15,208.9 million[112], representing an increase of 54%. The public debt equals about 23.5% of GDP.

As for the PNA's total liabilities and debts, a statement issued by the Palestinian MoF indicated that the new Palestinian government took office in 2024 with a public debt exceeding $11 billion. This figure includes the outstanding debts owed to the Public Pension Authority, debts to foreign banking institutions, arrears for public employees, overdue payments to suppliers and service providers, and debts to local banks.[113]

Tax Evasion and Customs Smuggling

Although financial studies and resources have multiple varying definitions for tax evasion, MoF defines it as the evasion of the taxpayer partially or fully from paying taxes, without transferring the burden to others, which affects the State's tax revenue and deprives it of its right.[114] Tax evasion is a tax crime, defined as "any violation of tax laws that impose on taxpayers an action or abstention to determine the tax base". It is also defined as "any action or

110 Public Debt Law No. (24) of 2005, Article No. (1)
111 The cumulative monthly report for December 2020, issued by the Ministry of Finance on February 14, 2021
112 The cumulative monthly report for October 2024, issued by the Ministry of Finance on December 1, 2024
113 The financial reality of the Palestinian government, Official News Agency (WAFA), dated 5/5/2024: https://www.wafa.ps/Pages/Details/94857
114 Integrity in Tax and Customs Collection, Case Study on Tax and Customs Evasion, AMAN, 2011.

omission of an action which results in a breach of tax interest, for which the law imposes a penalty". Article (37) of the Income Tax Law includes penalties against tax evasion cases.[115]

Customs smuggling has been defined in the Jordanian Customs Law, applicable in Palestine as, "importing goods to or from a country in a manner that contravenes the applicable legislations without paying the customs tariff and other taxes fully or partially, or contrary to the prohibitions and restrictions stated in this law or in other laws or regulations".[116]

Tax evasion and customs smuggling are common issues to all countries, with varying rates. Palestine has its own specificity due to the Israeli occupation and the division of the Palestinian territories, limited powers of the Palestinian security forces in areas designated as Area (C)[117] – which constitutes around 61% of the area of the West Bank - and some lands overlapping with Israeli territories' borders, which favour tax evasion and smuggling. While there are no official statistics about the scale of tax evasion and smuggling, the Palestinian Economic Council for Development and Reconstruction (PECDAR) in 2015 estimated the scale of tax evasion and smuggling between 30- 40% of total tax revenues.[118] This problem is directly related to the presence of the Israeli occupation and the fact that the PNA has no control over the Palestinian territories, crossings or borders.

The Social and Economic Policies Monitor (Al-Marsad) in Palestine and the Arab NGO Network in Lebanon conducted a comparative study about the tax systems in six Arab states (Tunisia, Morocco, Palestine, Egypt, Lebanon and Jordan).[119] The study concludes that tax evasion is a global problem with adverse impact on the economy of states, and that the problem gets worse in countries that suffer from political instability and corruption, as it may impede any real and useful funding of most urgent programs such as health, education and social protection.

115 Decision by Law No. (8) of 2011 on Income Tax, Article (37).
116 Jordanian Customs Law No. (16) of 1983.
117 According to the Oslo Accords, the Palestinian territories are classified into three categories: Area A, under Palestinian security and civil administration, which comprises (18%) of the area of the Palestinian territories occupied in 1967; Area B, under Israeli security and Palestinian civil authority and comprises (21%); and Area C, under Israeli security and civil authority, comprising (61%) of the Palestinian territories.
118 Possible Measures to Alleviate Tax Evasion, Annual Economic Report 2015, PECDAR.
119 Jaber, Firas, Riyahi, Iyad, Comparative Study of Taxing Systems in Six Arab States, 2014. Social and Economic Policies Monitor, Palestine.

The 2021-2023 Sectoral Public Financial Management Strategy has set a goal towards combating tax evasion, customs smuggling and for horizontal expansion of the tax base.[120] The goal included:

- Identifying unregistered taxpayers and registering them for tax purposes (horizontal expansion), and studying and applying principles of gender-based tax justice.
- Enhancing coordination with the Customs Police and directing their efforts to alleviate tax evasion, while studying the impact of gender on this phenomenon and how to address it.
- Expanding the activity of tax and customs audit centers to simultaneously conduct their audits of taxpayers' activities.
- Establishing a tax risk management department.
- Expanding the targeted product base, based on risk criteria.
- Executing the plan to regulate the tobacco sector, which contributes to raising revenues and preventing smuggling and evasion.
- Developing strategies to reduce the loss of clearance revenues.
- Using a risk-based tax assessment and audit approach for Income tax.

According to this strategy document, plans have been designed towards reducing tax evasion and avoidance by increasing the numbers of registered taxpayers by 10%, throughout the Strategy's years, at a rate of 3% annually.[121]

Moreover, a Tax Risk Department was established to target audit cases based on risk indicators. The department was established and integrated into MOF's structure, with its functions, job descriptions, and job specifications defined. It has also achieved practical results in managing tax risks by detecting tax files that contain manipulation, fraud or lack of true disclosure.[122]

Launching the computerized system for clearance between PNA and Israel

The computerized system for clearance between the PNA and Israel has been operational since March 2022. It is a well-developed system for auditing, monitoring, and control capabilities. Many companies are currently using it, despite the absence of an Israeli decision to require all companies to comply with the system. It is still in the trial phase, and efforts are being made to develop it and address any issues that may arise.

120 The 2021-2023 Sectoral Public Financial Management Strategy, P. 125.
121 Coalition for Integrity and Accountability (AMAN). The Palestinian Tax system" Evaluation of the 2021-2023 Sectoral Public Financial Management Strategy. 2021. Ramallah-Palestine.
122 Coalition for Integrity and Accountability (AMAN). the Palestinian Tax System "Social Justice, Corruption Risk Management, Financial Relationship with Israel" 2023. Ramallah- Palestine.

There is thorough auditing and monitoring of the clearance matters, and there is a high level of transparency in the system as supervised by the Clearance Department at MoF. The financial statements of the Israeli companies are audited by the Clearance Department, and electronic invoices are monitored through the computerized system and the QR code to combat forgery. There are clear instructions for the tax and customs departments regarding monitoring mechanisms. An advantage of electronic invoices is that they reveal and identify Palestinian traders, even if they are not registered for taxes, making it easier to identify them. In some cases, the Palestinian buyer was found to be registered as a worker, taxpayer, or as a company not yet registered with the taxdepartment.[123]

As previously detailed, there are significant issues between PNA and Israel concerning the Exit Tax to Jordan and the clearance management fee that Israel collects under the Paris Economic Protocol.

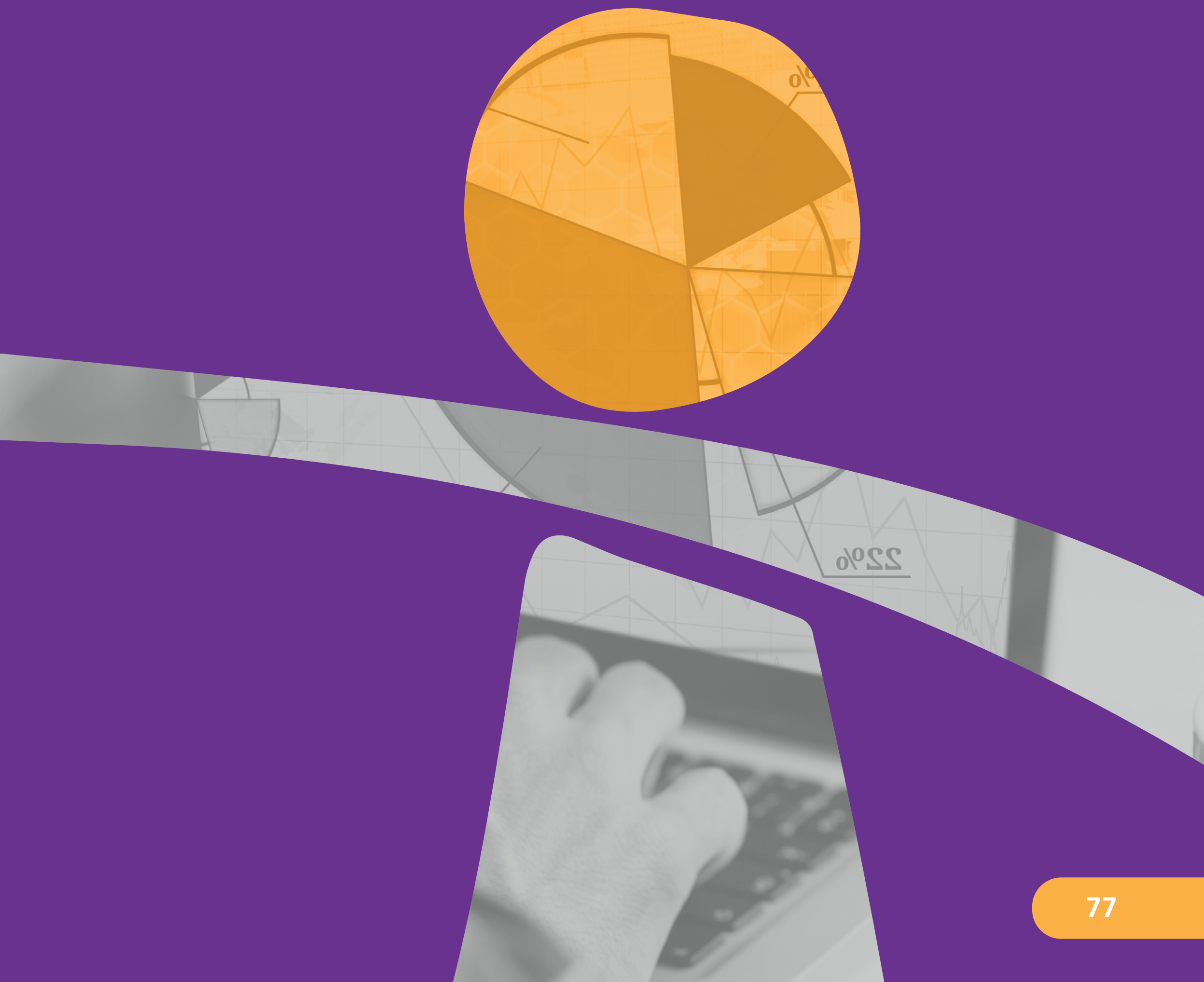
Recommendations (Chapter Three):

- Combating tax and customs evasion and smuggling in Palestine, which is estimated to account for approximately 30-40% of total tax revenues.
- Activating oversight mechanisms for the tax system to combat financial manipulation and fraud.
- The PNA must work to enforce its control over Area C, as it has become a hub for smuggling and tax and customs evasion and is intertwined with Israeli-controlled areas.
- It is imperative to include all taxpayers in the computerized system and adopt electronic invoicing to reduce tax and customs evasion and smuggling.
- There is a need for horizontal expansion of the tax system to include the informal labor sector.
- The computerized system for clearance between the PNA and Israel should be activated, as it provides opportunities for auditing, monitoring, and control. Efforts should be made to include all businesses, which would contribute to combating tax evasion and smuggling.

123 Coalition for Integrity and Accountability (AMAN). The Palestinian Tax System “Transparency in the Financial relations between the PNA and Israel”. 2024. Ramallah-Palestine.

Chapter Four

Tax Competition and Corporate Incentives



In Palestine, the Investment Encouragement Law was passed in the year 1998, and it includes articles and texts to encourage investment and grant tax privileges.

Exemptions in the Investment Promotion Law

The Investment Promotion Law of 1998, as amended in 2004 and 2011, includes the following set of incentives:[124]

- Incentives linked to fixed assets of enterprises (Article 22), which are exempt from customs duties provided they are imported during an agreed period and is included in the approved list of fixed assets. The same regulation applies to imported spare parts provided that their value does not exceed 15% of the fixed assets.
- Incentives linked to promoted investments (Article 23), which when between USD250.000 and under USD1 million receive income tax exemption for a seven year period, when between USD1 million and USD5 million receive income tax exemption for a nine year period, and when above USD5 million receive income tax exemption for a eleven year period followed by 10% for sixteen years.
- Extension of incentives by the COM (Article 24), which allows the Council of Ministers to extend exemptions for one or more additional period not exceeding five years when deemed necessary for public interest. In addition, the PNA may grant preferential treatment or provide special incentives or guarantees to investors.
- Companies operating in the information systems and technology sector are granted exemptions, including income tax exemption for a three year period if employing five local professionals, income tax exemption for a seven year period if employing ten local professionals, income tax exemption for a nine year period if employing twenty local professionals, and income tax exemption for a eleven year period if employing thirty local professionals. The professionals must work full-time and be qualified to work in the field of information technology systems and hold an academic degree in this field.[125]

124 Law no. 1 of 1998, on Investment Promotion in Palestine.
125 Decree-Law No. (2) of 2011, concerning the amendment of the Investment Promotion Law in Palestine No. (1) of 1998

Further amendments in 2014 established the following additional incentives:[126]

- Full income tax exemption on agricultural projects whose income is directly derived from land cultivation or livestock.
- 5% income tax exemption for up to five years, starting from the date of profit generation, not exceeding four years, whichever comes first.
- 10% income tax exemption for three years, starting from the end of the first phase; thereafter, it will be calculated according to the applicable rates and brackets.

The 2014 amendments also established the specific economic sectors or corporate requirements for enjoying fiscal incentives in the Investment Promotion Law, which include:

- The industrial sector.
- The tourism sector.
- New projects within any sector that employ at least 25 workers during the benefit period.
- Projects whose exports of production exceed 40%.
- Projects within any sector that use at least 70% local components (equipment and raw materials).
- Any existing project that adds 25 new workers to its existing workforce.
- Development expansions of existing projects that meet specific criteria.
- Projects granted under the incentive package system, which include distinctive projects that provide services or value meeting specific standards or comply with international environmental conditions, alternative energy services, or projects located in priority development areas.
- In addition, any investment project not specifically mentioned will benefit from the incentive package system if the Board of Directors of the relevant authority approves the signing of a contract in this regard.

The successive amendments to the law have resulted in the removal of capital value as a condition for granting tax exemptions. Instead, new criteria have been introduced, including the ability to export (at least 40% of total sales), the employment of a minimum number of workers (at least 25 employees), the

126 Decree-Law No. (7) of 2014, concerning the amendment of the Palestinian Investment Promotion Law No. (1) of 1998 and its amendments

use of local production inputs (at least 70% of total inputs), and engagement in priority economic sectors such as information and communication technology, tourism, and manufacturing. Companies that meet any of these conditions are eligible to receive income tax exemptions for a specified period.[127]

The amendments made to the Investment Promotion Law reflect a slight responsiveness to social justice, but they remain biased toward large corporations. Consequently, the benefits of the law and its incentives will primarily favor large capital and the wealthy, particularly that micro, small, and medium-sized enterprises (MSMEs) constitute 99% of the total companies operating in Palestine, according to data from the Mediterranean Program for Micro, Small, and Medium Enterprises.[128] Consequently, only 1% of the companies in Palestine benefit from the incentives provided by the Investment Law, a reality that contravenes the principles of social justice. The Investment Promotion Law requires further government oversight during implementation to ensure that benefiting companies do not abuse the law, especially in obtaining repeated exemptions. In addition, the discretionary nature of some incentives raises concerns regarding political capture of relevant authorities to favor specific corporations.

Tax Exemption of the Agricultural Sector

In 2016, Decision by Law No. (14) was issued, Amending Decision by Law No. (8) of 2011 on Income Tax and its Amendments. This included the following definition of agricultural activity: "Agricultural activity: the production of crops, grains, vegetables, fruits, plants, flowers, trees, and the raising of livestock, fish, birds, beekeeping, and the production of milk, eggs, and honey". Moreover, Article (7) of the original law on exemptions was amended to exempt income in line to the two following paragraphs:

- Article (20): Income of natural person realized from agricultural activity.
- Article (21): The first 300,000 ILS of net income for legal entities realized from agricultural activity.[129]

127 Abd Al-Karim, Dr. Nasr, et al. (2018). "Tax Justice Index Report" published by the Miftah

128 MED MSMEs Programme, Policies and programs of micro, small and medium enterprises in Palestine 2024: https://medmsmes.eu/ar/palestine

129 Decision by Law No. (14) of 2016 on amending Decision by Law No. (8) of 2011 and its Amendments.

This amendment is responsive to social justice especially that the agricultural sector provides work to poor and marginalized groups, and constitutes a good employer in the areas at risk of settlement activities and annexation. However, there is a need to simplify registration procedures to enable farmers from benefiting from this exemption.

Exemptions Related to VAT and Customs

As for VAT and customs exemptions, they are available to certain beneficiaries, such as companies that import consumer goods for specific purposes and in limited quantities, as indicated in Lists "A" and "B" in the Paris Protocol.[130] There are also special exemptions from VAT, such as for agricultural production. While the tax refund for VAT on agricultural production is responsive to social justice, the procedures are bureaucratic and suffer from delays in implementation.

Article (14) of the Law No. (1) of 2000 on Charitable Associations and Civil Organizations exempts charities and civil organizations in relations to taxes and customs duties on movable and immovable property necessary for carrying out their objectives, provided the goods are not disposed of within five years.[131]

Customs exemptions are also extended to vehicles for persons with disabilities. Article (6) of the Law No. (4) of 1999 on the Rights of Persons with Disabilities provides that personal transportation means for use by individuals with disabilities are exempt from all taxes and fees.[132]

It is noted that the above exemptions respond to gender issues and social justice, as they grant customs and tax exemptions to marginalized groups such as persons with disabilities and charitable associations that serve these marginalized groups in the society, as well as tax exemptions for agricultural production inputs. However, those exemptions are sometimes abused.[133] For instances, cars are often purchased in the name of disabled persons but in effect for a second person in order to benefit from tax and customs exemptions, in exchange for a sum of money paid to the person with disabilities. The car remains registered in the name of the person with disabilities, but in practice it belongs to the other person.

130 Abdul Karim, Nasr, et al (2018). Fair Tax Monitor Report, MIFTAH.
131 Law No. (1) of 2000 on Charitable Associations and Civil Institutions
132 Law No. (4) of 1999 on the Rights of Persons with Disabilities.
133 Afana, Mu'ayyad (2013). Rationalization of customs exemptions for charitable associations and persons with disabilities, AMAN.

Taxation and Gender Equality

While in most areas the Palestinian tax system views men and women as taxpayers on an equal and neutral basis, some forms of explicit bias are present. An example is that claims to allowed exemptions and deductions under the dependency law are met primarily for men (for instance, providing exemptions solely to the husband when purchasing an apartment). Women can only claim these deductions and exemptions if they are heads of households, divorced, or widowed. This discriminatory treatment results in unequal amounts of income tax paid by men and women, especially if both spouses are working simultaneously[134].

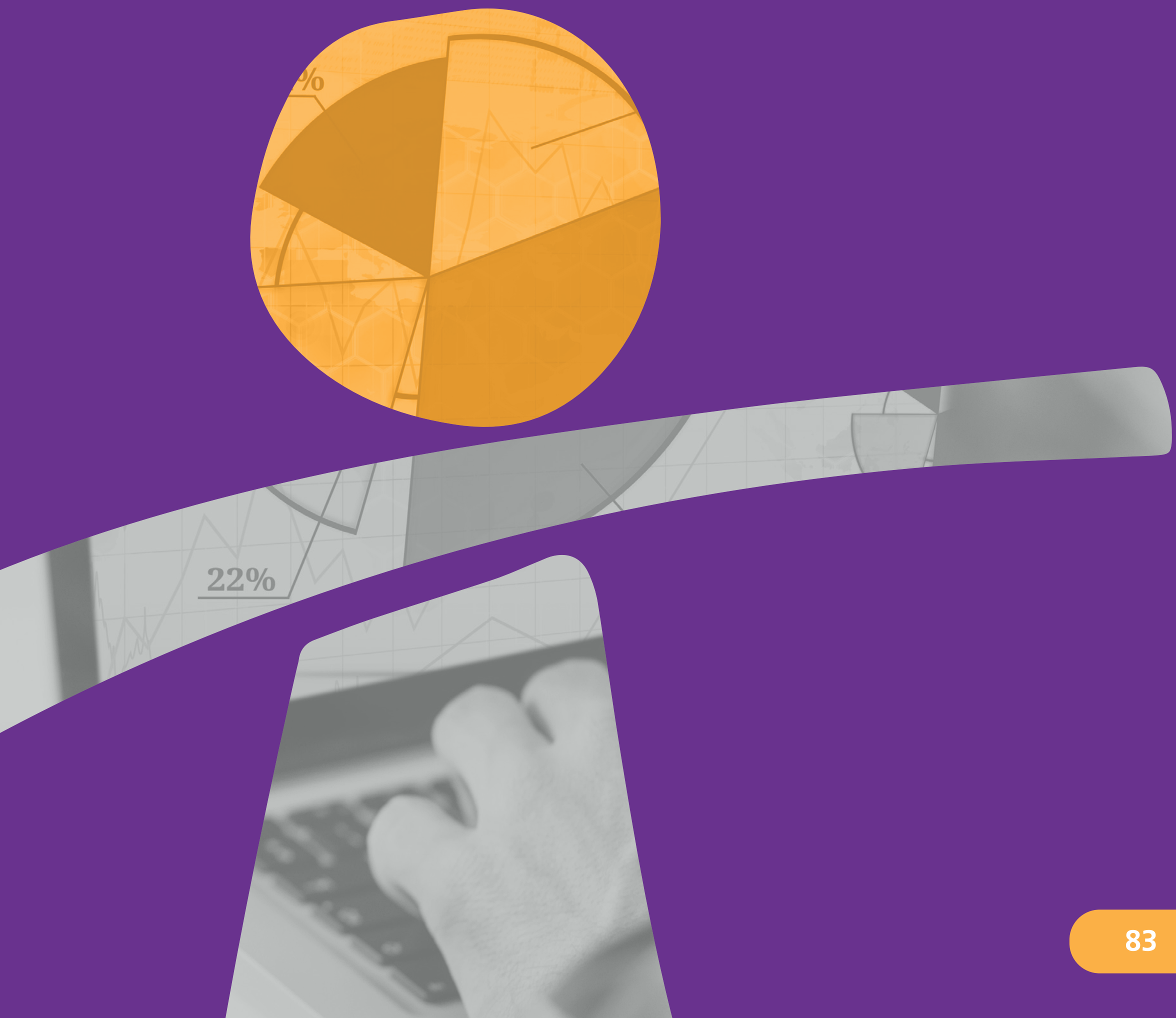
Recommendations (Chapter Four):

- Amendment of the Investment Promotion Law to be more responsive to tax and social justice, by including micro-companies.
- Amendments to the Investment Promotion Law should include tax exemptions and incentives for micro, small, and medium-sized enterprises, especially considering that these enterprises account for 99% of all operating companies in Palestine, with youth and women-led businesses concentrated in this sector.
- Strengthening the management of the Investment Promotion Law, particularly its implementation, to ensure that beneficiary companies do not circumvent its provisions, especially with regard to repeated granting of exemptions. The regulation should also promote further transparency and accountability on the discretionary granting of incentives.
- Putting into effect the VAT refund for agricultural production, which is responsive to social justice, and which would reduce bureaucratic delays in this process.
- Encouraging customs exemptions for vehicles belonging to charitable organizations and special needs persons, which supports social justice and contributes to preventing the abuse of customs exemptions by other groups and the exploitation of individuals with disabilities.
- Enacting the proposed VAT exemption in the new draft law, given its alignment with the principles of social justice.

134 Abdul Karim, Nasr, et al (2018). Fair Tax Monitor Report, MIFTAH.

Chapter five

Effectiveness of Tax Administration and Social Justice



Effectiveness of Tax Administration and Social Justice

The organizational structure adopted by the MoF indicates that the following three agencies are mandated with the administration of the tax system:

- The General Administration of the Value Added Tax, Customs and Excise.
- The General Administration of the Income Tax.
- The General Administration of the Property Tax.

Each department has offices in the different governorates to facilitate the processing of tax files. The computerized RMS has been adopted, and according to MoF updated data, the institutional environment has been developed to integrate and link the operations of all revenue departments, institutions in the public and private sectors, and the banking sector, and automate work procedures.[135] Automation has progressed significantly, with over 70% of all tax functions automated on the RMS system. However, the Israeli war on the Gaza Strip has impacted the implementation of the system.

The computerized RMS has contributed to enhancing the effectiveness of the Palestinian tax system. Digital transformation is expected to significantly enhance the efficacy of the Palestinian tax system by promoting integrity and transparency, while also decreasing opportunities for corruption and strengthen oversight of the system. Furthermore, digital transformation has played a crucial role in creating computerized links between taxpayer files, particularly between income tax and VAT records. This integration improves the accuracy and efficiency of tax management, ensuring better compliance and facilitating more effective audits and tax collection. While digitalization clearly improves the efficiency of fiscal systems, it is important that Palestine maintains analogic alternatives for taxpayers that are unfamiliar with digital methods to avoid digital exclusion of vulnerable taxpayers.

The Palestine Public Finance Institute (PPFI), which was established in 2011, is dedicated to developing the competencies of employees working in government departments, local authorities, and the academic sector, elevating their performance to meet financial and tax-related needs. PPFI keeps pace with scientific developments in finance and taxation and integrates them into training programs, contributing to administrative development. It also focuses on enhancing a shared understanding of public finance issues and related

135 Interview with Lu'ay Hanash, Director-General of VAT, Customs and Excise Tax at MOF, August 2024.

economic concepts, ensuring continuous improvement of training methods in public finance management. The institute's programs are based on international best practices in adult education and continuing education, emphasizing an interactive, participatory approach and the exchange of experiences.[136]

PPFI contributes to strengthening governance in the Palestinian tax system and offers many capacity-building programs specializing in taxation. These include capacity-building courses for tax officers, exchanging expertise with tax departments in neighbouring countries, and preparing studies on the efficiency of tax systems. The continuous capacity-building of the staff of the Palestinian tax system, in addition to the shift towards automation and digitization, has raised efficiency and effectiveness levels within the system, positively impacting tax revenues.

Challenges Facing the Palestinian Tax System

During the 2019-2024 period, a computerized clearance system between PNA and Israel was launched on enhancing the effectiveness of the tax system.[137] As a result of continuous capacity building and the transition toward automation and digitization in the Palestinian tax system, efficiency and effectiveness levels have increased, positively impacting tax revenues, as indicated in this report. Nevertheless, the Palestinian tax system continues to face several challenges, most significantly the following:

- The lack of security and administrative control in areas classified as Area (C), which constitute about 61% of the area of the West Bank.
- The absence of Palestinian control over various crossings and borders.
- The internal division and its impact on the tax system and tax revenues in Gaza Strip.
- Shortage in human resources at the tax departments. The number of employees does not meet the operational needs of tax departments, especially after the PNA's decision to halt new employment due to the financial crisis.
- Poor incentives for staff at the tax departments.
- Lack of logistical support, such as transportation vehicles, to reach all taxpayers and establishments.
- Lack of cooperation of various trade unions with the tax administrations.

136 Website of the Palestine Public Finance Institute, https://www.ppfi.ps/ar

137 Coalition for Accountability and Integrity AMAN. Transparency in the financial relationship between the Palestinian National Authority and Israel, 2024, Ramallah, Palestine.

- Negative societal attitudes toward tax compliance, especially since the Israeli occupation authorities previously exercised the function of tax collection.
- Complicated bureaucratic procedures for opening tax files, particularly for taxpayers in rural areas and locations far from urban centers.

Regarding gender diversity and inclusion among tax administration employees, there has been notable progress in this area with female employees occupying almost half of staff positions (49%). Currently, women hold 33.3% of leading positions in the Palestinian tax system. For instance, the Director-General of Property Tax is a woman. Furthermore, the number of women in various roles within the tax system has increased, including women serving as directors of departments in the different governorates.

International donors have repeatedly requested efforts towards reforming Palestine's tax system, particularly modernizing legislations, governance of procedures, digital transformation in the tax system and enhancing the effectiveness and efficiency of the tax system. These goals were outlined in the government's 2022 Reform Agenda presented at the Donor Conference in 2022.

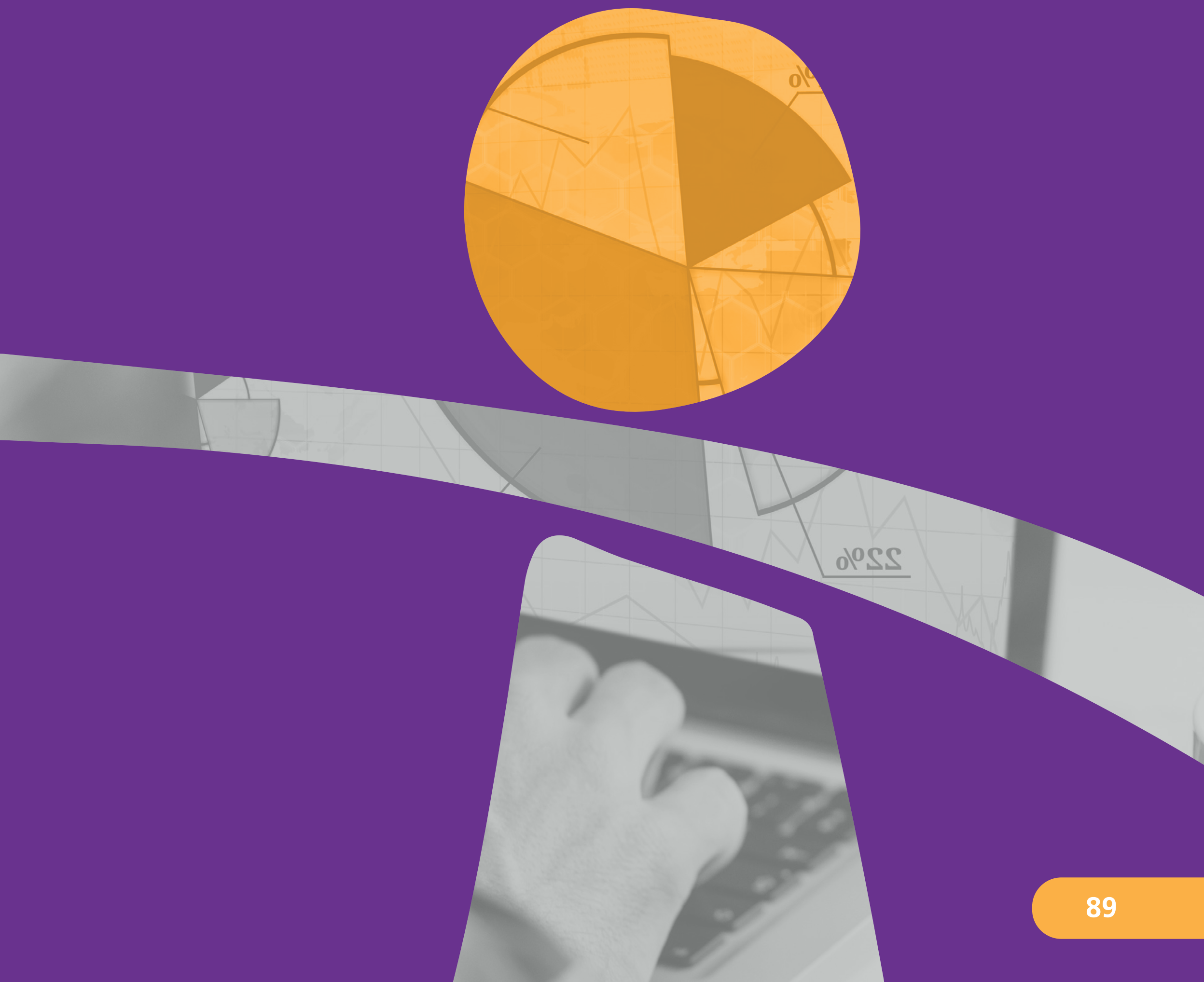
Recommendations (Chapter Five):

- Qualified Human Resources: There is a need for qualified human resources in tax departments, both at the central level and in the various governorates, especially given the minimal material and moral incentives.
- Completing Integration into the Digital System: Completing the process of integrating all taxpayers into the computerized system and ensuring coordination between different tax departments by leveraging the potential of digital transformation, while maintaining analogic alternatives for taxpayers that are unfamiliar with digital methods.
- Logistical Support for Tax Departments: Providing the necessary logistical support for tax departments, including vehicles for visiting and inspecting various establishments, as well as other logistical concerns.

- Updated Guidelines for Tax Departments: Providing updated, clear, and structured guidelines for tax departments to strengthen governance and ensure that tax operations are based on standardized practices rather than individual interpretations or improvisation.
- Bolstering Knowledge and Skills among Tax Department Staff: Bolstering the knowledge and skills of tax department staff in Palestine, and maintaining competent professionals by creating a system of incentives.
- Awareness and Information Campaigns: Issuing awareness and information publications for citizens and taxpayers to promote better understanding of the tax system and their obligations.
- Combatting Tax Evasion and Smuggling: It is essential to combat tax evasion and smuggling by ensuring that the work of relevant state agencies is integrated, whether at the procedural or intelligence level, to address these issues effectively.

Chapter Six

Government Expenditures and Social Justice in Palestine



Government Spending During 2019-2024

According to the actual expenditure reports for the years 2019-2023 and the 2024 General Budget data,[138] government expenditures were distributed according to the main budget items as detailed in the tables below. Government expenditures in Palestine have steadily increased during the years 2019-2024, with salaries and wages constituting the largest component of government expenditures. The security sector ranks first in government spending, accounting for around 21.7%, followed by the education sector at 20.3%, and then the health sector at 14.3%.

Table No. (17): Public Expenditure Items 2019-2024 in million ILS

Item	2019	2020	2021	2022	2023	2024
Wages and salaries	7,235.0	6,886.6	7,795.9	8,114.1	8,356.4	8,469.0
Social contributions	712.6	671.1	741.8	791.1	818.8	830.0
Goods and services	2,291.4	2,261.5	2,606.8	2,723.8	3,154.6	2,506.0
Transfer expenditures	4,723.5	4,887.0	3,686.6	3,086.0	3,028.5	3,231.0
Capital expenditures	58.1	92.8	105.6	99.5	113.0	130.0
Interest	187.9	192.4	403.2	476.3	408.6	460.0
Net lending	1,138.3	1,166.7	1,207.7	1,224.6	1,342.4	1,250.0
Earmarked payments	327.2	335.8	458.2	562.0	477.7	382.0
Development expenditures	1,214.9	952.6	780.4	906.8	1,347.4	1,512.0
Fuel subsidies	0.0	0.0	0.0	0.0	641.9	640.0
Expenditures and net lending*	16,674.0	16,493.9	17,005.8	17,077.4	18,341.9	17,898.0
Total public expenditures**	17,888.9	17,446.5	17,786.2	17,984.2	19,689.3	19,410.0

* Expenditures and net lending: Include current and capital expenditures and net lending.

** Total public expenditures: Include current and capital expenditures, net lending and development expenditures.

138 Cumulative actual expenditure reports for 2019-2023 and the 2024 General Budget Law.

Figure No. (15): Public Expenditure Items 2019-2024 in million ILS

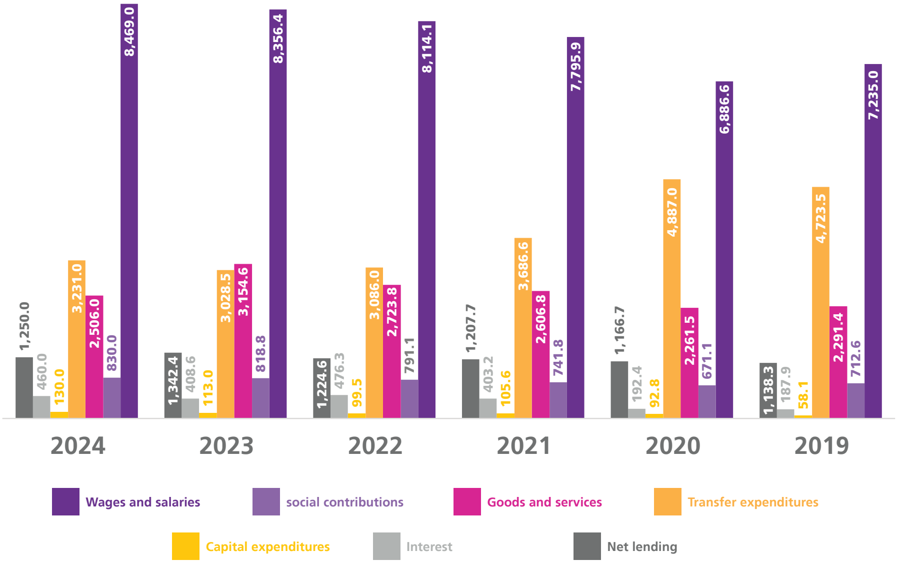


Table No. (18): Percentages of expenditure items for 2019-2023

Item	2019	2020	2021	2022	2023	2024
Wages and salaries	40.4%	39.5%	43.8%	45.1%	42.4%	43.6%
Social contributions	4.0%	3.8%	4.2%	4.4%	4.2%	4.3%
Goods and services	12.8%	13.0%	14.7%	15.1%	16.0%	12.9%
Transfers	26.4%	28.0%	20.7%	17.2%	15.4%	16.6%
Capital expenditures	0.3%	0.5%	0.6%	0.6%	0.6%	0.7%
Interest	1.1%	1.1%	2.3%	2.6%	2.1%	2.4%
Net lending	6.4%	6.7%	6.8%	6.8%	6.8%	6.4%
Earmarked payments	1.8%	1.9%	2.6%	3.1%	2.4%	2.0%
Development expenditures	6.8%	5.5%	4.4%	5.0%	6.8%	7.8%
Fuel subsidies	0.0%	0.0%	0.0%	0.0%	3.3%	3.3%
Expenditures and net lending*	93.2%	94.5%	95.6%	95.0%	93.2%	92.2%
Total public expenditures**	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

* Expenditures and net lending, includes current and capital expenditures and net lending.

** Total public expenditures: includes current and capital expenditures, net lending and development expenditures.

Figure No. (16): Percentages of expenditure items for 2019-2023

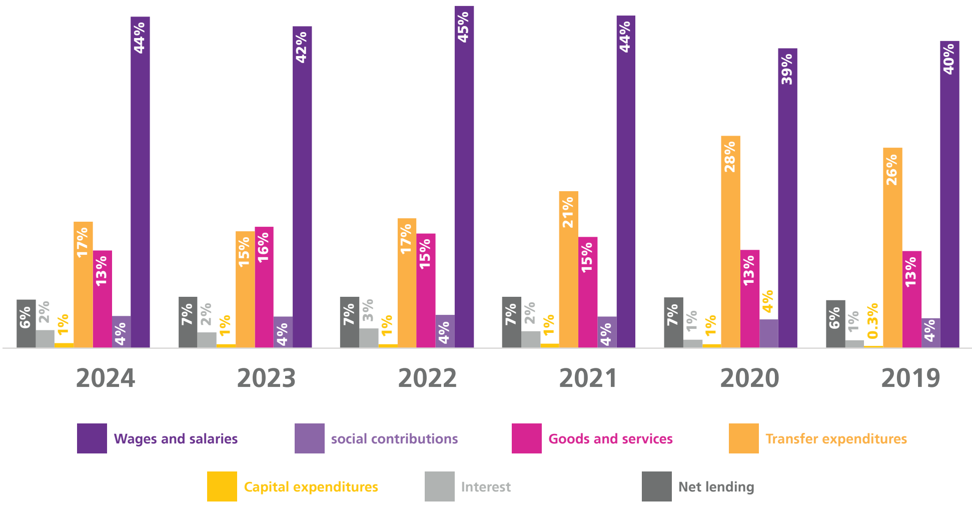
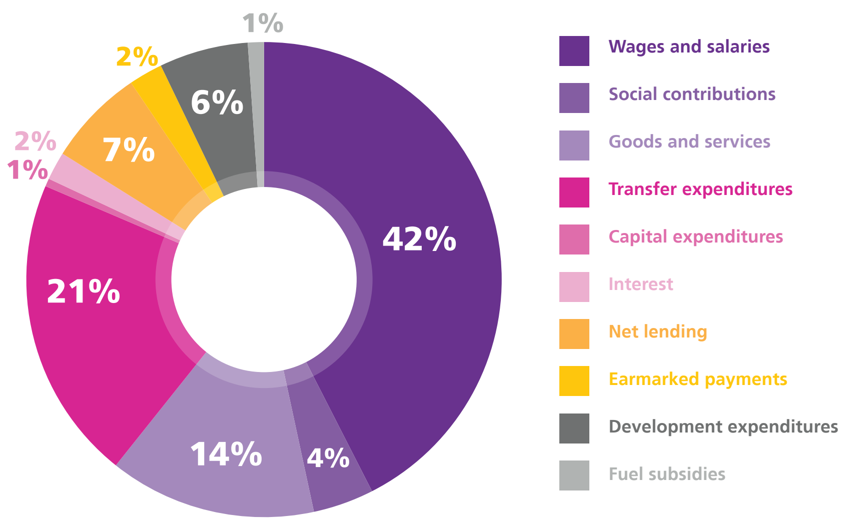


Figure No. (17): Percentage of average public expenditure per item 2019-2023



It is evident from Tables (17) and (18) that wages and salaries constitute the largest share of government spending, followed by transfer expenditures, and then goods and services. Meanwhile, the average development expenditures constitute only 6% of the average total expenditures for 2019-2024.

Government spending on centers of responsibility concerned with the social sector and connected to the needs of marginalized groups.

National revenues collected through various fees and taxes have become the cornerstone of the General Budget, with taxes constituting the key element of those revenues. Therefore, enhancing tax revenues and increasing the efficiency and effectiveness of the tax system will positively affect the amount of revenues available to fund public services, including those related to the social sector. Moreover, increasing direct taxes in a progressive manner does not affect poor and marginalized groups, but provides the government with additional revenues from wealthier sections of society that can be used to improve spending on basic services (education, health, social development). This, in turn, positively contributes to the realization of social and tax justice.

Expenditures on the Education Sector

Public spending on the education sector has witnessed positive development in recent years, particularly with the increase in teachers' salaries since 2016, and with the allocation of the Joint Financing Agreement (JFA) to support education in Palestine. The average government spending on the education sector for 2019-2024 amounted to 20.2% of total expenditures, with an average of 3,354.5 million ILS. This makes it the second-largest item of government spending after the security sector, aligning with the Sustainable Development Goals (SDGs), particularly Goal Four.

The following table shows the government expenditures on the education sector and its percentage of public expenditures

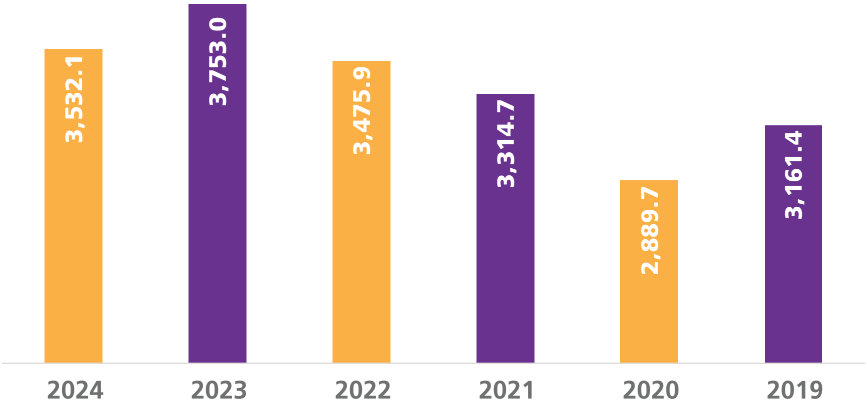
Table No. (19): Government expenditures on the education sector 2019-2023 in million ILS[139]

Year	Actual spending on education sector	Total government spending	Percentage of total expenditures
2019	3,161.4	16,423.7	19.2%
2020	2,889.7	15,944.0	18.1%
2021	3,314.7	16,120.3	20.6%
2022	3,475.9	16,167.6	21.5%
2023	3,753.0	17,870.5	21.0%
2024	3,532.1	17,233.9	20.5%
Average	3,354.5	16,626.7	20.2%

- Expenditures on education include the Ministry of Education and the Ministry of Higher Education and Scientific Research during the years they were separated before their merger in 2024.
- There are additional expenditures on the education sector through the social contributions and the adoption program, collected through local authorities. The education tax for example, is collected by local authorities.

139 Cumulative actual expenditure reports for 2019-2023 and the 2024 General Budget Law.

Figure No. (18): Government expenditures on the education sector 2019-2023 in million ILS



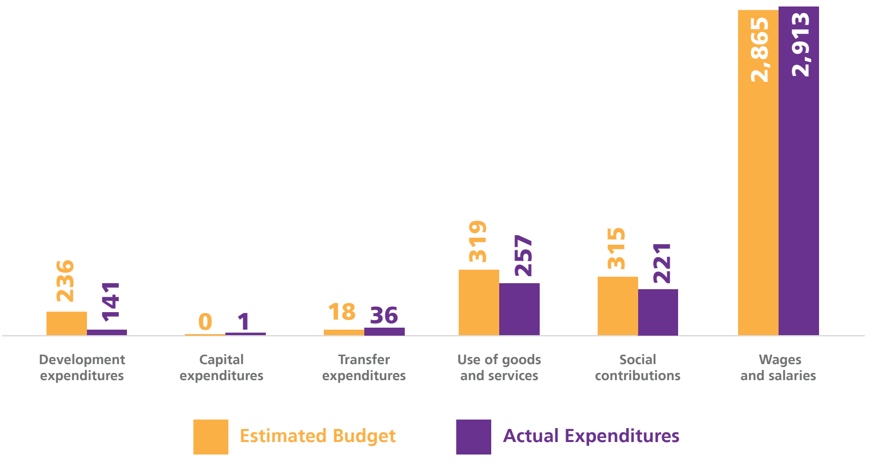
A case study conducted in 2023 revealed that the budget for the Ministry of Education amounted to 3,669.5 million ILS in 2023, representing 20.5% of the total public expenditures in the General Budget of that year. Meanwhile, the actual spending based on commitments reached 3,753 million ILS or 102% of the original estimate, particularly due to an increase in development expenditures and use of goods and services.140

Table No. (20): Estimated Budget and Actual Expenditures of the Ministry of Education budget items, including Higher Education in million ILS

Item	Estimated budget	Actual expenditures	Percentage of actual expenditures to the estimate
Wages and salaries	2,912.8	2,865.4	98.4%
Social contributions	321.0	315.2	98.2%
Use of goods and services	257.2	319.0	124.0%
Transfer expenditures	36.0	17.5	48.7%
Capital expenditures	1.2	0.1	5.4%
Development expenditures	141.3	235.8	166.8%
Total	3,669.5	3,753.0	102.3%

140 The Comparative Annual Expenditure Report for 2022/2023 of the Ministry of Education and Higher Education, from the publications of Miftah.

Figure No. (19): Estimated Budget and Actual Expenditures of the Ministry of Education Budget Items, Including Higher Education in Million ILS



Following the overall trend on total government expenditures, wages and salaries also constitute the largest share of expenditures in the education sector, as reflected in Table No. (17).

Despite the increase in government spending on the education sector during 2019-2024, both in terms of allocated amounts and as a percentage of total expenditures, this spending is concentrated on wages and salaries due to the large numbers of employees, including teachers, lecturers, and administrative staff.

Expenditures on the Health Sector

Public spending on the health sector has witnessed significant development in recent years – increasing from 10.9% of total expenditures in 2019 to 15.3% in 2023 – particularly following the COVID-19 pandemic and the rising costs of medical referrals.[141] The average government spending on the health sector during the years 2019-2024 constituted 13.6% of total expenditures, with an average of 2,262.7 million ILS, ranking third in public expenditures after the security and education sectors. Actual expenditures rose from 1,784.5 million ILS in 2019 to 2,731.2 million ILS in 2023, aligning with the Sustainable Development Goals.

141 "Medical referrals" relate to the purchase of health services from outside the government sector, such as purchasing the service from the private sector or neighbouring countries.

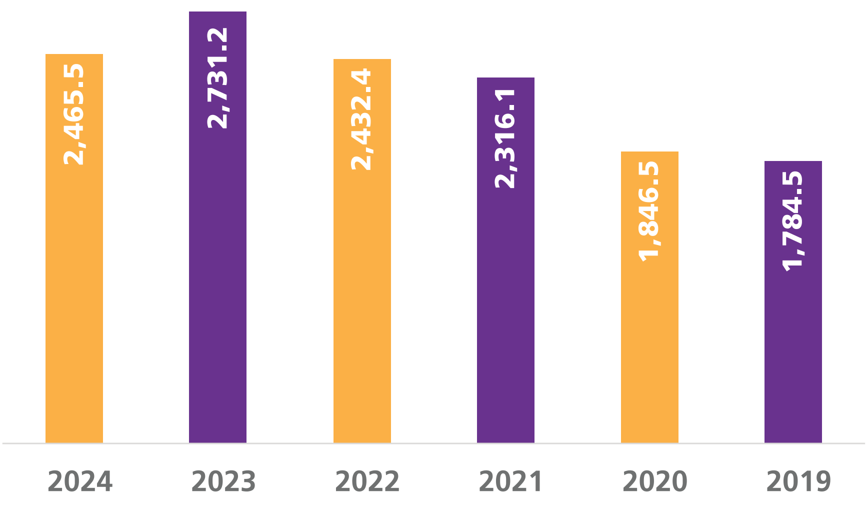
The table below shows the government spending on the health sector and its percentage of total public expenditures.

Table No. (21): Government expenditures on the health sector 2019-2024 in million ILS[142]

Year	Actual spending on health sector	Total government spending	Percentage of total expenditures
2019		16,423.7	10.9%
2020	1,846.5	15,944.0	11.6%
2021	2,316.1	16,120.3	14.4%
2022	2,432.4	16,167.6	15.0%
2023	2,731.2	17,870.5	15.3%
2024	2,465.5	17,233.9	14.3%
Average	2,262.7	16,626.7	13.6%

The health expenditures include medical referrals outside the MOH facilities, which constitute around half the expenditures of the health sector.

Figure No. (20): Government expenditures on the health sector 2019-2024



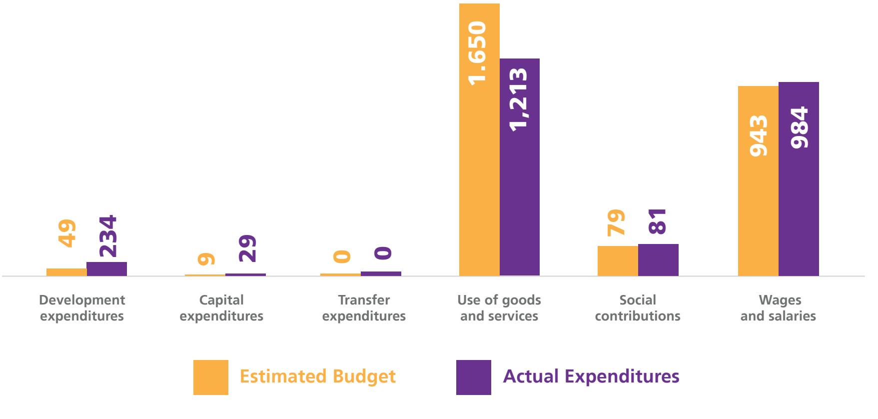
142 Cumulative actual expenditure reports for 2019-2023 and the 2024 General Budget Law.

A case study conducted in 2023 revealed that MOH budget amounted to 2,541.7 million ILS, 14.5% of the total public expenditures of the 2023 General Budget. Meanwhile, the actual spending based on commitments reached 2,731.2 million ILS or 107% of the original estimate, particularly due to an increase in use of goods and services.[143]

Table No. (22): Estimated budget and actual expenditures of MOH budget items in million ILS

Item	Estimated budget	Actual expenditures	Percentage of Actual expenditures from the Estimated budget
Wages and salaries	984	943	95.9%
Social contributions	81	79	96.9%
Use of goods and services	1,213	1,650	136.0%
Capital expenditures	29	9	32.2%
Development expenditures	234	49	21.1%
Total	2,541.6	2,731.2	107.5%

Figure No. (21): Estimated budget and actual expenditures of MOH budget items in million ILS



143 The Comparative Actual Expenditure Report for the Ministry of Health 2022/2023, from the publications of Miftah.

Table No. (22) and Figure No. (21) reveal that spending on goods and services constitutes the largest share of MOH budget. This item includes the cost of medical referrals.

Government spending on the health sector has significantly increased during 2019-2024, with medical referrals (service purchases) constituting the largest component of health expenditures.

Government Expenditures on Social Development (including the Foundation of Martyrs' Families Welfare)

Government spending on the Ministry of Social Development (MOSD)[144] has declined in recent years. During 2019-2024, the average government expenditures on MOSD were 6.9% of total expenditures, with an average of 1,138.6 million ILS. Spending on MOSD decreased from 9.1% of total expenditures in 2020 to 5.9% in 2023. Actual expenditures fell from 1,450.1 million ILS in 2020 to 1,054.9 million ILS in 2023. The main reason for this decline is the reduction in the number and value of cash assistance payments under the Cash Transfer Program (CTP) at MOSD, which benefits approximately 120,000 families.

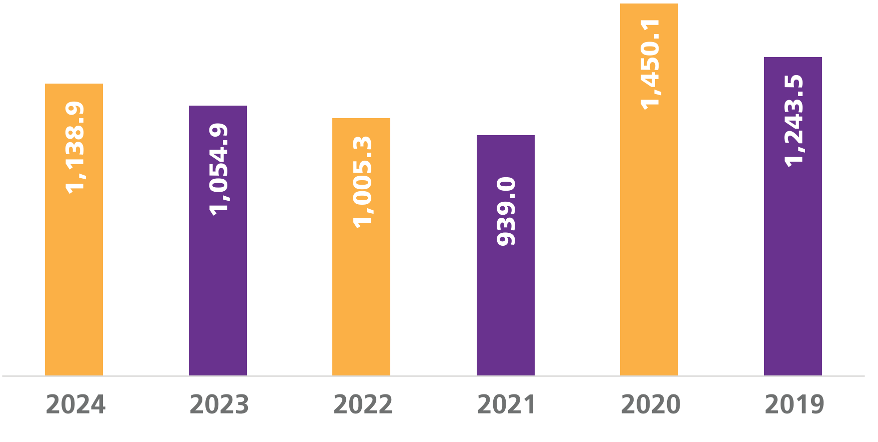
The cash transfer program is a national program to help and support poor families, given there is no social security law in Palestine. It is supported by the public treasury and the European Union, with a budget of up to ILS 500 million annually. The allocations are paid to the poor in four annual instalments. However, due to the PNA's financial crisis, it can only partially pay these allocations, which increases the financial burdens on poor families, 43% of which are headed by women. The following table shows the comparative government spending on MOSD and its percentage of total public expenditures.

144 All figures presented for the Ministry of social development include the Foundation of Martyrs' Families Welfare.

Table No. (23): Public expenditures on MOSD (including the Foundation of Martyrs' Families Welfare) 2019-2024 in million ILs[145]

Year	Actual spending on social development	Total government spending	Percentage of total expenditures
2019	1,243.5	16,423.7	7.6%
2020	1,450.1	15,944.0	9.1%
2021	939.0	16,120.3	5.8%
2022	1,005.3	16,167.6	6.2%
2023	1,054.9	17,870.5	5.9%
2024	1,138.9	17,233.9	6.6%
Average	1,138.6	16,626.7	6.9%

Figure No. (22): Public expenditures on MOSD (including the Foundation of Martyrs' Families Welfare) 2019-2024 in million ILs



A case study conducted in 2023 revealed that actual expenditures of MOSD (including the Foundation of Martyrs' Families Welfare) amounted to 1,055 million ILS, reaching only 75% of the estimated budget at 1,409 million ILS due to a reduction in total transfer expenditures.[146]

145 Cumulative actual expenditure reports for 2019-2023 and the 2024 General Budget Law.
146 The Comparative Expenditure Report for the Ministry of Social Development 2022/2023, from the publications of Miftah.

Table No. (24): Estimated budget and actual expenditures of MOSD (including the Foundation of Martyrs' Families Welfare) in million ILS

Item	Estimated budget	Actual expenditures	Percentage of actual expenditures to estimate
Wages and salaries	66	62	95.3%
Social contributions	7	6	93.3%
Use of goods and services	10	9	91.1%
Transfer expenditures	1,321	971	73.5%
Capital expenditures	0	0	35.2%
Development expenditures	5	6	128.4%
Total	1,408.6	1,055.0	74.9%

Figure No. (23): Estimated budget and actual expenditures of MOSD (including the Foundation of Martyrs' Families Welfare) in million ILS

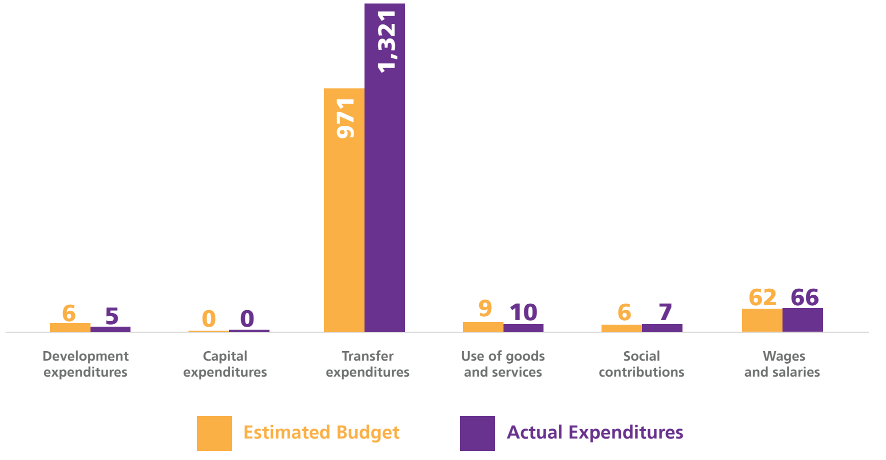


Table No. (24) reveals that the largest component of the budget of MOSD is the transfer expenditure, of which only 73% of the estimated budget has been disbursed. This item includes cash transfers to poor families, of which only two payments were made in 2023 out of a total four scheduled payments. In practice, the government has not fully committed to paying allowances for poor families since 2019, and unpaid payments are not recorded as obligations for the government, resulting in poor families losing these funds year after year.

Government Expenditure on the Agriculture Sector

The government expenditure on the Ministry of Agriculture (MOA) has remained relatively stable as a percentage of total public expenditures, at around 1%. Overall, it has stayed consistent throughout the years 2019-2024, as shown in the table below, which details actual expenditures on the agriculture sector.

Table No. (25): Public expenditures on the Ministry of Agriculture 2019-2024 in million ILS[147]

Year	Actual spending on agriculture sector	Total government spending	Percentage of total expenditures
2019	158.4	16,423.7	1.0%
2020	139.0	15,944.0	0.9%
2021	142.6	16,120.3	0.9%
2022	153.3	16,167.6	1.0%
2023	156.1	17,870.5	0.9%
2024	158.9	17,233.9	0.9%
Average	151.4	16,626.7	0.9%

147 Cumulative actual expenditure reports for 2019-2023 and the 2024 General Budget Law.

Figure No. (24): Public expenditures on the Ministry of Agriculture 2019-2024 in million ILS

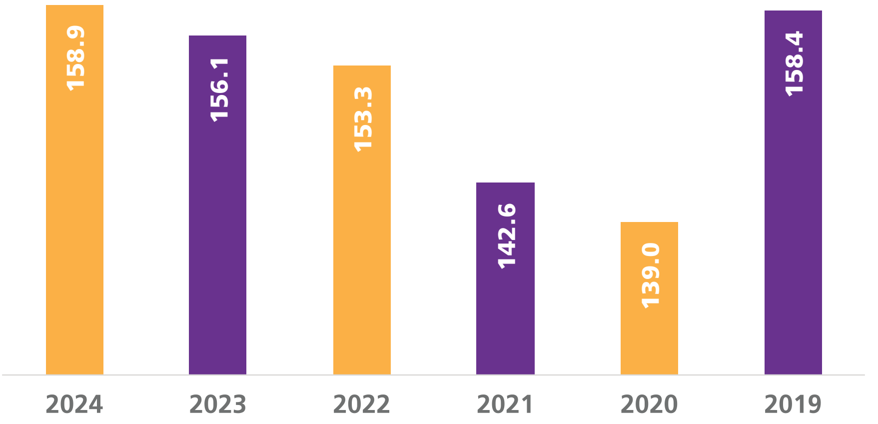


Table No. (26): Distribution of expenditure items for the Ministry of Agriculture 2023[148]

Item	Actual expenditure 2023 / Million ILS
Salaries and Wages	80.7
Social Contributions	7.3
Goods and Services	20.2
Transfer Expenses	3.3
Capital Expenses	0.421
Developmental expenditures	44.2
Total	156.1

Despite the overall increase in government spending, it is not sufficiently responsive to social justice and to the needs of poor and marginalized groups, particularly regarding social protection issues and the provision of assistance to poor and marginalized families, which have been reduced since 2019 compared to previous years. Moreover, no social security law has been enacted, and government spending on the agriculture sector remains very limited, not exceeding 1% of total expenditures, although it is vital and closely linked to social justice issues.

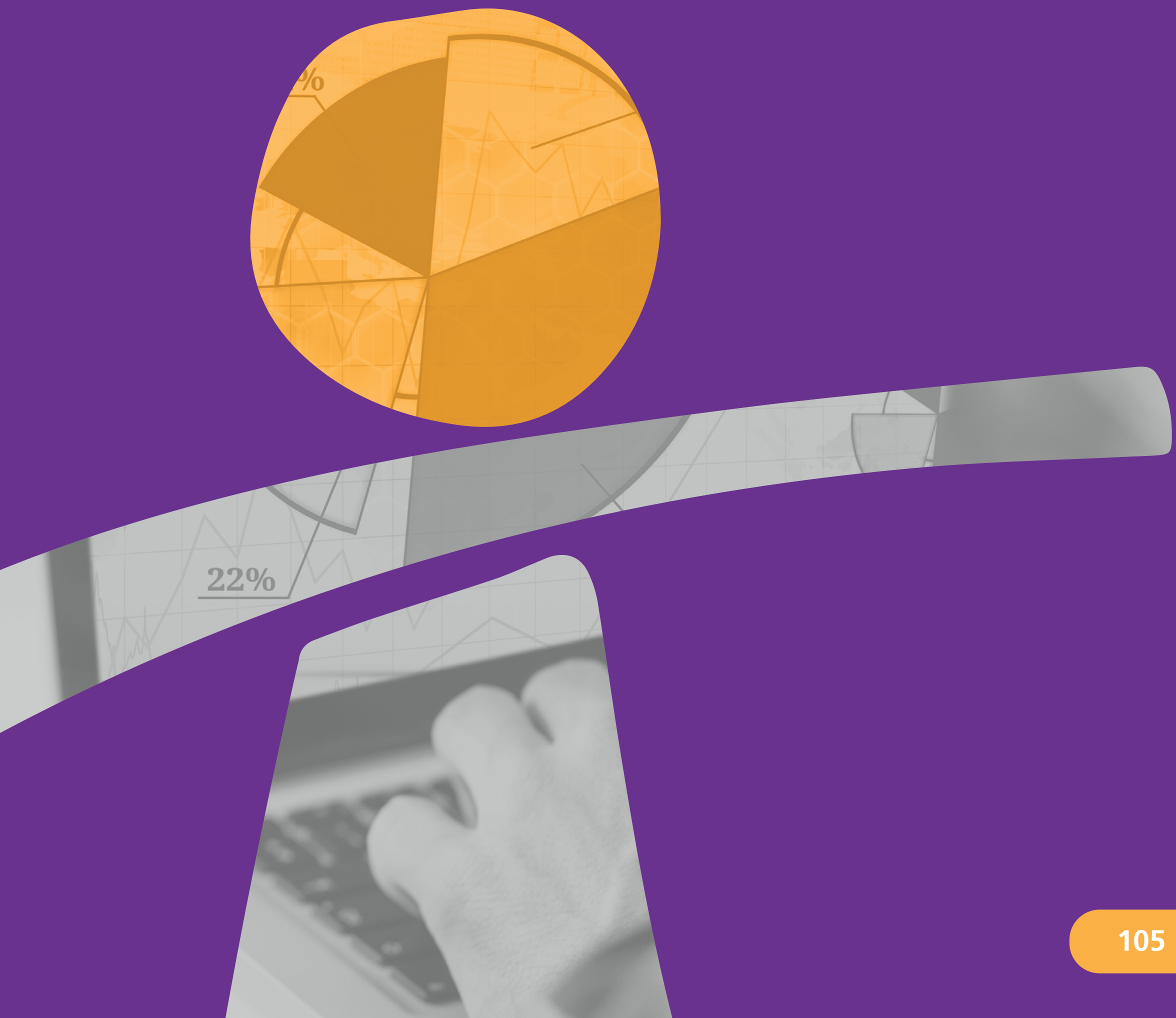
148 The Comparative Expenditure Report for the Ministry of Agriculture 2022/2023, from the publications of Miftah.

Recommendations (Chapter Six):

- Restructuring Government Spending: There is a need to restructure government spending by addressing the imbalance between revenue and expenditure structures, as the existing gap undermines services provided to marginalized and vulnerable groups.
- Addressing Structural Imbalances in Expenditures: It is essential to address the structural imbalance in public spending, especially concerning the large wage bill, net lending, and other items that drain public funds, limiting expenditures aimed at enhancing social justice.
- Protecting Allocations for Marginalized Groups: Marginalized groups (such as the poor, people with disabilities, abused women, etc.) should be excluded from austerity measures, with dedicated, continuous budgets secured for them.
- Providing Financial Resources for Economic Empowerment: Financial resources for the economic empowerment of marginalized groups must be made available, in line with the principles of social justice, to transition them from dependency to productivity.
- Increasing Budgets for Productive Sectors: There is a need to increase budgets allocated to productive sectors, such as agriculture, light industries, and traditional manufacturing industries.
- Enhancing Budgets for the Poor and Marginalized: Budgets dedicated to the poor and marginalized must be increased, whether for social protection systems, economic empowerment, or direct cash assistance.
- Addressing Imbalance in the Health System: The health system in Palestine needs restructuring to reduce the burden of medical referrals by localizing healthcare services in government hospitals, establishing a mutual health insurance system, and ensuring health services for all citizens without exception.
- Supporting the Education System: The education system must be supported through development programs, with a particular focus on vocational education for both men and women, as it serves as a foundation for creating job opportunities.
- Increasing Budgets for the Ministry of Agriculture: The budget allocated to the Ministry of Agriculture should be increased, since agriculture promotes sustainable development and provides job opportunities for marginalized and poor groups.

Chapter Seven

Principles of Transparency and Accountability Indicators in the Palestinian Tax System



Accountability amid the absence of a legislative power

Taxes in Palestine are the backbone of the General Budget, comprising around 90% of the overall public revenues. They constitute a major share of the General Budget. There is a main problem in approving the General budget, due to the disfunction of the Palestine Legislative Council (PLC).

Since the political division in Palestine in 2007, the PLC has been defunct. As no legislative elections have been held since then, a legislative vacuum was created which affected the passing of laws, oversight and accountability of the Executive Authority.

According to the Palestinian Basic Law, the General Budget must be submitted by the government to the PLC at least two months prior to the beginning of each fiscal year. The General Budget must then be discussed by the PLC (with an opinion of its Budget and Financial Affairs Committee) in a special session and – within a one month period from its receipt – an approval of the budget with necessary amendments or a return of the budget to the government must takeplace.[149]

In case a General Budget is not approved prior to the start of a new fiscal year, the MoF has the authority to collect the revenues in accordance with the mechanisms, conditions and rates currently in force. Public expenditures also continue through monthly appropriations based on the budget of the past fiscal year, for a maximum period of three months.[150]

Therefore, the public budget must be ratified by the PLC before the beginning of the fiscal year, in accordance with the law. If it is not ratified, an additional period of three months is granted for ratification.

However, since 2000 the budgets have not been prepared and adopted "prior to the beginning of the new fiscal year". Due to the current state of emergency related to the Gaza conflict, the 2024 General Budget was adopted on 22 July 2024.

In accordance to the 2023 Open Budget Survey in Palestine (and in line with the international standards for budget transparency set by the International Budget Partnership),[151] transparency and community participation in budget

149 The Palestinian Basic Law, Article (61).
150 Law of the Organisation of the General Budget and Public Finances No. 7 of 1998, Article (4).
151 Civil Society Team for Enhancing Public Budget Transparency. Coalition for Accountability and Integrity (AMAN). 2024. Analysis of the Performance of the General Budget 2023, Ramallah-Palestine

preparation is poor.[152] The international standards recommend the publication of 8 core documents, of which only 5 were published by MoF, as reflected in the following table:

Table No. (27): 2023 Open Budget Survey in Palestine[153]

Document	Published	Partially published	Not published
Pre-budget Statement	Published		
Summary of budget proposal			Not published
Approved and adopted General Budget*	Published (summary)		
Citizens' budget	Published		
Periodic reports (monthly and quarterly)		Published by October	
Semi-annual reports			Not published
Year-end report (Closing Accounts) for 2022	Published		
Audited report for 2021	Published		

According to international standards, the absence of a legislative council to adopt the budget constitutes lack of full compliance with those standards.[154] The above matrix shows that 5 out of 8 documents were published, while publishing has specific standards related to the comprehensiveness and quality of the published data, compliance to release dates, and ease of access to the data.

In light of the above, it is noted that the Palestinian government's compliance with international standards for budget transparency remains partial, with compliance to only 5 out of the 8 standards that represent the minimum international requirements for public budget transparency. The absence of a legislative authority further makes the government's compliance with international standards incomplete.[155]

152 For further details, see IBP website: https://internationalbudget.org/
153 Coalition for Accountability and Integrity (AMAN). 2024. Analysis of the Performance of the General Budget 2023, Ramallah-Palestine.
154 For further details, see IBP website: https://internationalbudget.org/
155 Coalition for Accountability and Integrity (AMAN). 2024. Analysis of the Performance of the General Budget. 2023, Ramallah-Palestine. Coalition for Accountability and Integrity (AMAN). 2024. Analysis of the Performance of the General Budget. 2023, Ramallah-Palestine.

In addition to the aforementioned issues regarding budget transparency, there is a need for tax laws to be clear and unambiguous, which is not currently the case in the Palestinian tax system. The laws are both outdated and unsuitable for the present context, such as the Property Tax Law from the 1950s or the Customs Law from the 1960s, or they consist of a mixture of texts and decisions, such as the applicable VAT Law. Some laws, like the Income Tax Law, have undergone a series of amendments, with certain powers granted to the COM to amend.

Furthermore, the MoF website does not provide detailed information about various taxes, and MoF financial reports lack details on the nature of Income tax revenues and their distribution between personal and corporate taxes. There is a need for more detailed reporting to uphold the principles of governance and the values of transparency.

While the PLC is the legislative authority responsible for official accountability in Palestine, it has been dysfunctional since 2007, having a direct impact on the accountability system. This situation necessitates a more precise and effective oversight system, especially since the tax system is susceptible to corruption risks due to the significant financial impact associated with tax issues. Therefore, there is a need to immunize the tax system from corruption risks by completing the legislative framework that regulates it and enhancing internal controls and public oversight over tax-related procedures. This includes settlements in handling Income tax audits, which require a clear system and transparent criteria, with the risk of arbitrary income tax assessments creating opportunities for corruption amid the absence of a comprehensive and clear procedural manual. Moreover, tax evasion and smuggling, particularly given the intertwined economic relationship with Israel and the existence of numerous areas open to trade or customs smuggling and tax evasion with Israel, pose significant challenges.

Since the national legislative framework remains incomplete, mainly due to the absence of an effective legislative authority, there are significant areas that provide opportunities for corruption. The financial impact of corruption in the tax sector is substantial, and there are numerous risks associated with tax issues, including tax evasion, customs smuggling, and the lack of PNA control over border-crossings and borders. Therefore, it is necessary to enhance governance within the tax system, activate accountability, provide effective oversight systems, move toward automation, reinforce both official and societal accountability, and adopt policies and procedures to prevent corruption risks.

Community Participation

Community participation is one of the foundations of governance in the public sector and an indicator of transparency. In practice, the tax administration in Palestine, specifically the General Directorate of Value Added Tax, Customs, and Excise, has committed to organizing a deep community dialogue on the draft VAT law. This engagement went beyond mere dialogue, as the Administration also adopted the perspectives of CSOs on some issues. For example, MOF partially adopted some amendments proposed by MIFTAH on behalf of CSOs in 2022.

Nevertheless, there is a need to institutionalize community participation in all matters related to the Palestinian tax system, because of its impact on all segments of society. This is particularly important given the low level of trust between citizens and the government. Community participation and dialogue can raise trust levels, which is especially important in tax departments, as taxpayers' trust is a major factor in their compliance with paying taxes and reducing tax evasion.

Practically, there is no Access to Information law in Palestine. However, MOF publishes its monthly financial reports, which include tax data, and prepares the citizen's budget, which contains estimates of different types of taxes. A "citizen's budget" is prepared, which includes estimates of various kinds of taxes. Awareness campaigns are also in place, designed to explain that taxes are used to build the state and provide resources for social services, highlighting the distinction with the previous situation when taxes were paid to Israel.

The campaigns also provide incentives in the form of discounts for citizens and taxpayers to pay taxes. Today, this matter requires raised awareness to change the previous mind-set regarding taxes. Despite awareness campaigns emphasizing the importance of tax compliance, citizens' trust still needs further reinforcement.

Political, administrative, and financial reform, including the reform of the tax system in Palestine, cannot be achieved without the existence of an elected legislative authority, empowered by the people and capable of leading reform programs. Therefore, it is essential to conduct general elections and form a legislative authority that represents all sectors of the Palestinian people, in order to implement the principle of separation of powers and to carry out its legislative and accountability duties. There is also a need to work systematically and earnestly toward economic disengagement from the occupation and to review the Paris Economic Protocol.

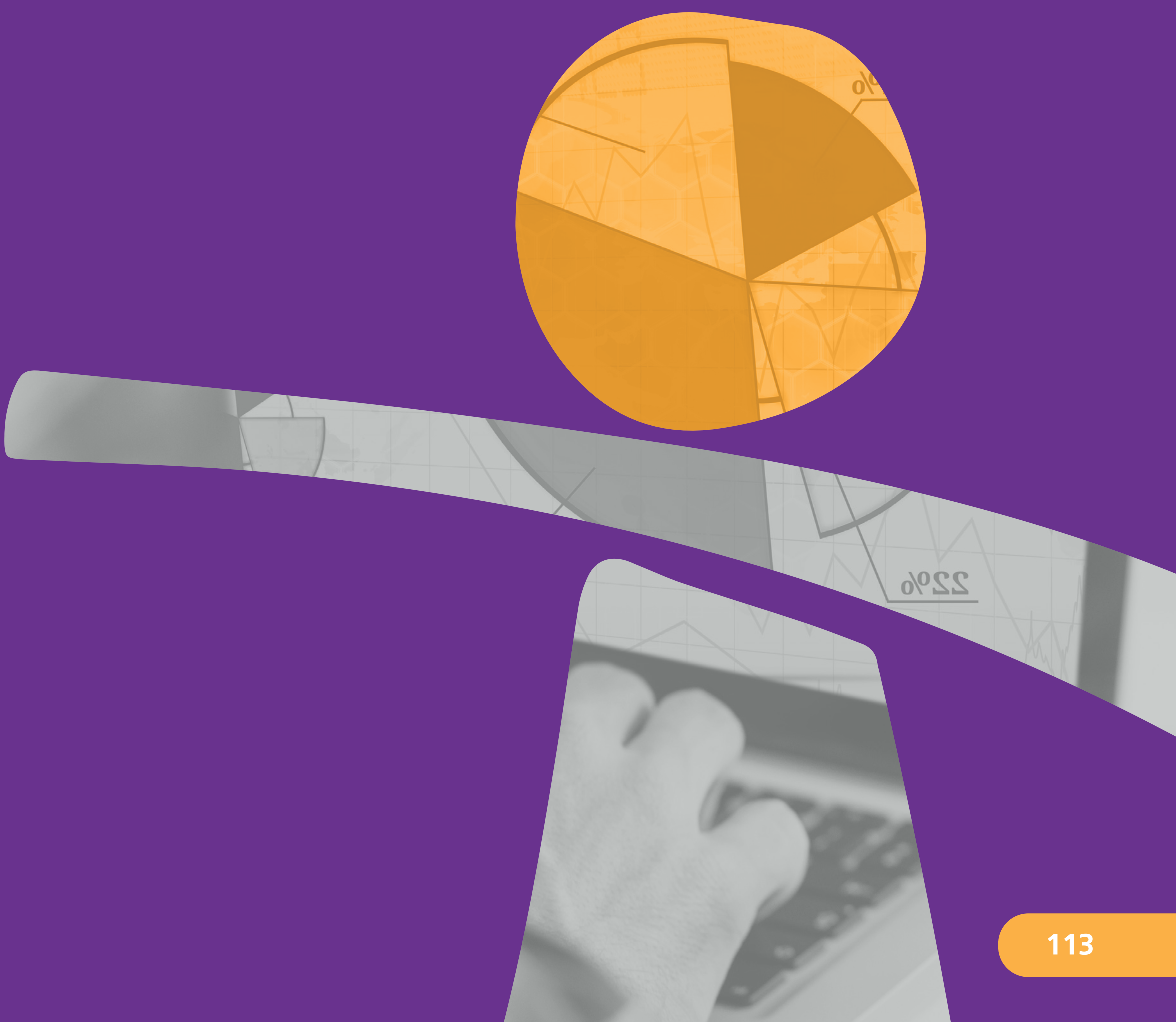
Due to the absence of a legislative authority in Palestine, the overall accountability system is deficient, including that related to the tax system. The absence of an access to information law also impedes transparency and flow of information. Nevertheless, MOF publishes financial data, including tax information, although without comprehensive details. The weak accountability system negatively affects tax and social justice, the rights of poor and marginalized groups, and may potentially create opportunities for corruption.

Recommendations (Chapter Seven):

- Enhancing Governance and Principles in the Tax System: It is crucial to strengthen governance and its principles within the tax system by adhering to legislation, promoting integrity, transparency, and accountability, and preventing corruption risks.
- Developing a Comprehensive Anti-Corruption Risk Management Plan: A comprehensive action plan is needed to manage corruption risks in the Palestinian tax system, especially as taxes now constitute the largest source of government revenue. The risks of corruption are significant, as tax-related matters often involve large financial sums in the millions of ILS. Any loss of financial resources directly impacts public services and disproportionately affects marginalized and impoverished groups.

- Building the Capacity of Tax Officials: It is important to build the capacities of tax officers and adopt clear standards for tax assessments within an established procedural guide to prevent corruption risks.
- Adopting Digital Transformation and Automation: Emphasizing the need for digital transformation and automation to mitigate corruption risks, as there is an inverse relationship between the level of automation and corruption opportunities.
- Enhancing Transparency in the Tax System: Strengthening transparency within the tax system by publishing data and making it freely accessible to citizens in various formats and channels.
- Ensuring the Presence of an Elected Legislative Authority: There is a need for an elected legislative authority, representative of all segments of the Palestinian population, empowered to lead reform programs. Therefore, conducting general elections and electing a legislative authority is essential to fulfill the principle of separation of powers and to carry out its legislative and accountability duties. Efforts should also focus on systematically and earnestly detaching the Palestinian economy from occupation and reviewing the Paris Economic Protocol.

Recommendations



Chapter One

- It is essential to complete the legislative framework for regulating taxes in Palestine, particularly given the many outdated Jordanian and Israeli occupation laws, especially the Customs Law, Value Added Tax Law, and Property Law.
- Tax laws (currently under review) must be gender-responsive, given that the existing tax system does not adequately address these concerns.
- It is imperative to implement the provisions outlined in national plans and public finance management strategies to modernize the Palestinian tax system. This should include the enactment of contemporary legislation, procedures to enhance the system's efficacy, its responsiveness to social justice, and the transition towards digitalization.
- The government, in partnership with civil society organizations and the private sector, must adopt a comprehensive action plan to achieve economic disengagement from Israel. This is particularly important given Israel's ongoing hijacking of Palestinian tax revenues. A legal case should be pursued internationally, as these taxes are a rightful entitlement of the Palestinian people.
- Efforts should be directed towards enhancing national products through tax incentives and imposing restrictions on Israeli and imported products. This could serve as a financial policy tool to reduce dependence on clearance tax revenues, increase local tax revenues, and provide sufficient fiscal resources to cover government spending on essential services related to social justice.

Chapter Two

- The ratification of a VAT law, in line with the working paper presented by civil society institutions and MIFTAH, to incorporate the principle of graduated VAT rates in order to promote gender equality and social justice.
- Ratification of a Customs Law that includes provisions benefiting marginalized and impoverished groups, through a package of customs exemptions that ensure the implementation of tax and social justice.

- Updating the Income Tax Law by increasing the number of tax brackets for both individuals and companies, expanding the income range for each bracket, and raising the exemption threshold.
- Enacting legislation defining monopolistic companies to properly regulate the imposition of higher income taxes on such businesses.
- Updating the outdated Property Tax Law from the 1950s in line with the principles of tax and social justice.
- Approving Social Security legislation as a means of strengthening social protection, particularly for the informal labor sector.
- Integrating the informal labor sector into the Palestinian tax system, given that it constitutes more than half of the Palestinian economy.
- Restructuring of tax policies to focus more on direct taxes, towards bolstering tax and social justice.
- Adopting a progressive tax policy for income tax, whether for individuals or companies. Adopting tax policies that embody the principles of tax and social justice, such as tax exemptions for large families, education, university tuition, persons with disabilities, and female heads of households.

Chapter Three

- Combating tax and customs evasion and smuggling in Palestine, which is estimated to account for approximately 30-40% of total tax revenues.
- Activating oversight mechanisms for the tax system to combat financial manipulation and fraud.
- The PNA must work to enforce its control over Area C, as it has become a hub for smuggling and tax and customs evasion and is intertwined with Israeli-controlled areas.
- It is imperative to include all taxpayers in the computerized system and adopt electronic invoicing to reduce tax and customs evasion and smuggling.
- There is a need for horizontal expansion of the tax system to include the informal labor sector.

- The computerized system for clearance between the PNA and Israel should be activated, as it provides opportunities for auditing, monitoring, and control. Efforts should be made to include all businesses, which would contribute to combating tax evasion and smuggling.

Chapter Four

- Amendment of the Investment Promotion Law to be more responsive to tax and social justice, by including micro-companies.
- Amendments to the Investment Promotion Law should include tax exemptions and incentives for micro, small, and medium-sized enterprises, especially considering that these enterprises account for 99% of all operating companies in Palestine, with youth and women-led businesses concentrated in this sector.
- Strengthening the management of the Investment Promotion Law, particularly its implementation, to ensure that beneficiary companies do not circumvent its provisions, especially with regard to repeated granting of exemptions. The regulation should also promote further transparency and accountability on the discretionary granting of incentives.
- Putting into effect the VAT refund for agricultural production, which is responsive to social justice, and which would reduce bureaucratic delays in this process.
- Encouraging customs exemptions for vehicles belonging to charitable organizations and special needs persons, which supports social justice and contributes to preventing the abuse of customs exemptions by other groups and the exploitation of individuals with disabilities.
- Enacting the proposed VAT exemption in the new draft law, given its alignment with the principles of social justice.

Chapter Five

- Qualified Human Resources: There is a need for qualified human resources in tax departments, both at the central level and in the various governorates, especially given the minimal material and moral incentives.

- Completing Integration into the Digital System: Completing the process of integrating all taxpayers into the computerized system and ensuring coordination between different tax departments by leveraging the potential of digital transformation, while maintaining analogic alternatives for taxpayers that are unfamiliar with digital methods.
- Logistical Support for Tax Departments: Providing the necessary logistical support for tax departments, including vehicles for visiting and inspecting various establishments, as well as other logistical concerns.
- Updated Guidelines for Tax Departments: Providing updated, clear, and structured guidelines for tax departments to strengthen governance and ensure that tax operations are based on standardized practices rather than individual interpretations or improvisation.
- Bolstering Knowledge and Skills among Tax Department Staff: Bolstering the knowledge and skills of tax department staff in Palestine, and maintaining competent professionals by creating a system of incentives.
- Awareness and Information Campaigns: Issuing awareness and information publications for citizens and taxpayers to promote better understanding of the tax system and their obligations.
- Combatting Tax Evasion and Smuggling: It is essential to combat tax evasion and smuggling by ensuring that the work of relevant state agencies is integrated, whether at the procedural or intelligence level, to address these issues effectively

Chapter Six

- Restructuring Government Spending: There is a need to restructure government spending by addressing the imbalance between revenue and expenditure structures, as the existing gap undermines services provided to marginalized and vulnerable groups.
- Addressing Structural Imbalances in Expenditures: It is essential to address the structural imbalance in public spending, especially concerning the large wage bill, net lending, and other items that drain public funds, limiting expenditures aimed at enhancing social justice.

- Protecting Allocations for Marginalized Groups: Marginalized groups (such as the poor, people with disabilities, abused women, etc.) should be excluded from austerity measures, with dedicated, continuous budgets secured for them.
- Providing Financial Resources for Economic Empowerment: Financial resources for the economic empowerment of marginalized groups must be made available, in line with the principles of social justice, to transition them from dependency to productivity.
- Increasing Budgets for Productive Sectors: There is a need to increase budgets allocated to productive sectors, such as agriculture, light industries, and traditional manufacturing industries.
- Enhancing Budgets for the Poor and Marginalized: Budgets dedicated to the poor and marginalized must be increased, whether for social protection systems, economic empowerment, or direct cash assistance.
- Addressing Imbalance in the Health System: The health system in Palestine needs restructuring to reduce the burden of medical referrals by localizing healthcare services in government hospitals, establishing a mutual health insurance system, and ensuring health services for all citizens without exception.
- Supporting the Education System: The education system must be supported through development programs, with a particular focus on vocational education for both men and women, as it serves as a foundation for creating job opportunities.
- Increasing Budgets for the Ministry of Agriculture: The budget allocated to the Ministry of Agriculture should be increased, since agriculture promotes sustainable development and provides job opportunities for marginalized and poor groups.

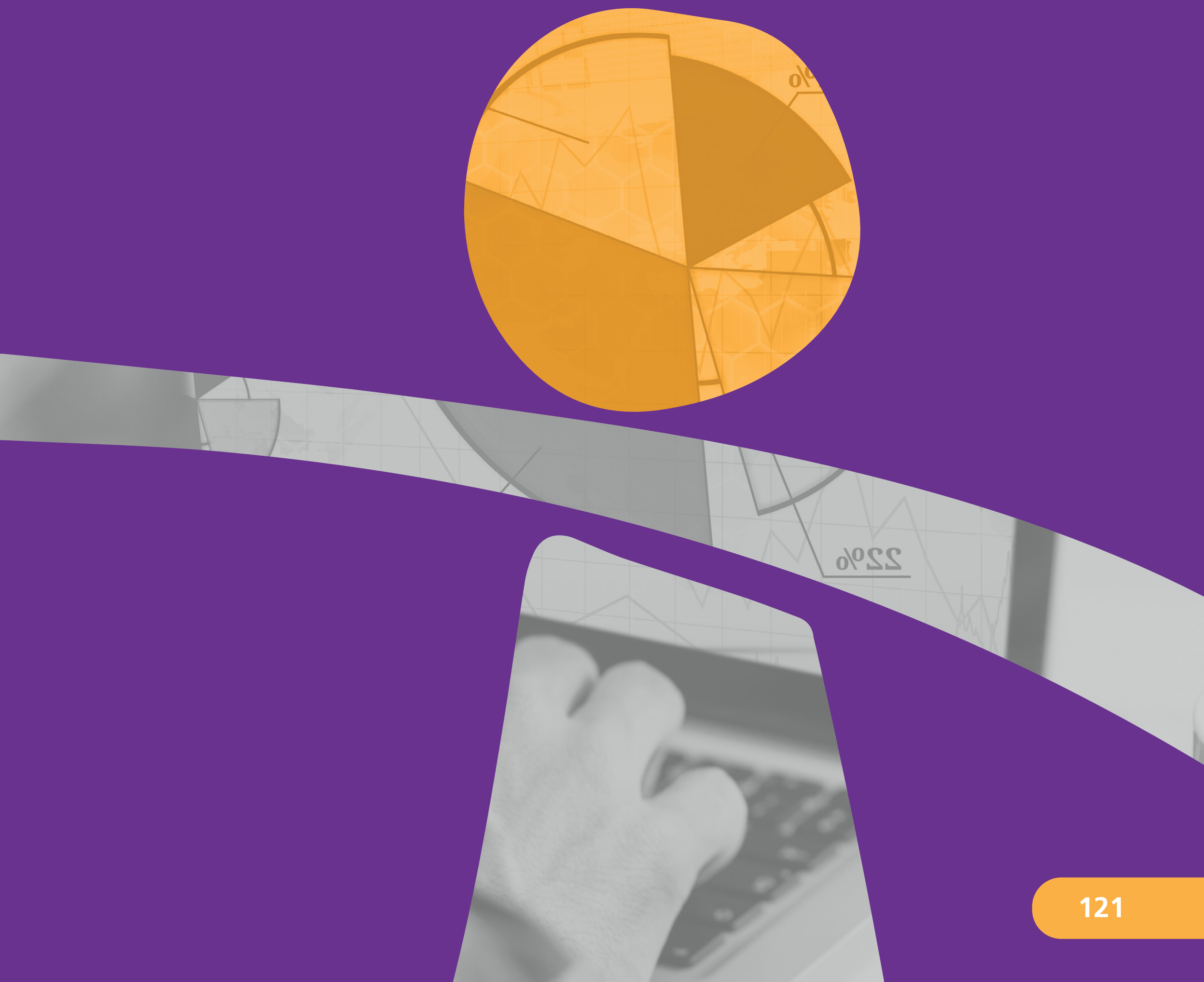
Chapter Seven

- Enhancing Governance and Principles in the Tax System: It is crucial to strengthen governance and its principles within the tax system by adhering to legislation, promoting integrity, transparency, and accountability, and preventing corruption risks.

- Developing a Comprehensive Anti-Corruption Risk Management Plan: A comprehensive action plan is needed to manage corruption risks in the Palestinian tax system, especially as taxes now constitute the largest source of government revenue. The risks of corruption are significant, as tax-related matters often involve large financial sums in the millions of ILS. Any loss of financial resources directly impacts public services and disproportionately affects marginalized and impoverished groups.
- Building the Capacity of Tax Officials: It is important to build the capacities of tax officers and adopt clear standards for tax assessments within an established procedural guide to prevent corruption risks.
- Adopting Digital Transformation and Automation: Emphasizing the need for digital transformation and automation to mitigate corruption risks, as there is an inverse relationship between the level of automation and corruption opportunities.
- Enhancing Transparency in the Tax System: Strengthening transparency within the tax system by publishing data and making it freely accessible to citizens in various formats and channels.
- Ensuring the Presence of an Elected Legislative Authority: There is a need for an elected legislative authority, representative of all segments of the Palestinian population, empowered to lead reform programs. Therefore, conducting general elections and electing a legislative authority is essential to fulfill the principle of separation of powers and to carry out its legislative and accountability duties. Efforts should also focus on systematically and earnestly detaching the Palestinian economy from occupation and reviewing the Paris Economic Protocol.

References

Sorted by Their Appearance in the Study



- Public Budget Law No. (7) of 1998.
- The Coalition for Integrity and Accountability (AMAN). Integrity Environment in Tax and Customs Revenue Collection, Tax and Customs Evasion as a Case Study, 2011, Ramallah - Palestine.
- Jordanian Customs Law No. (16) of 1983.
- Public Debt Law No. (24) of 2005.
- The Coalition for Integrity and Accountability (AMAN). 2023. A Handbook for Promoting Integrity and Combating Corruption: «Concepts and Terminology.» Ramallah - Palestine.
- The Coalition for Integrity and Accountability (AMAN). 2017, Net Lending Item and Its Impact on Budget Deficit and Public Money Wastage.
- The Coalition for Integrity and Accountability (AMAN). 2024, Palestinian Tax System: «Transparency of Financial Relations Between the Palestinian Authority and Israel.» Ramallah - Palestine.
- Abdel Karim, Dr. Nasr et al., 2018, «Tax Justice Index Report,» from the Publications of Miftah.
- Income Taxpayer's Guide, from the Publications of the Palestinian Ministry of Finance, 2012.
- Citizens' Budget Preparation Guide, from the Publications of Miftah and Ministry of Finance, 2018.
- The Coalition for Integrity and Accountability (AMAN). 2013, Guideline for Terms and Concepts of Good Governance.
- Dahleh, Samar. «Tax Systems, 2004 - A Comparative Analytical Study,» Master's Thesis, Published, An-Najah National University.
- Afana, Moayad. «What Kind of Tax System Do We Want?» 2022, Article Published on the Al-Hewar Al-Mutadamn Website, Issue 7459.
- The Coalition for Integrity and Accountability (AMAN). 2023, Palestinian Tax System: «Social Justice – Managing Corruption Risks – Financial Relations with Israel.» Ramallah - Palestine.
- Law No. (4) of 2014, Amending Law No. (8) of 2011 Regarding Income Tax.
- Law No. (5) of 2015, Amending Law No. (8) of 2011 Regarding Income Tax.
- Law No. (14) of 2016, Amending Law No. (8) of 2011 Regarding Income Tax and Amendments.

- Law on Building and Land Tax Inside Municipalities and Local Councils Areas, Law No. (11) of 1954 and Amendments.
- Cabinet Decision Issued in Session No. (168) on 25/7/2022, Regarding Granting Some Municipalities Authority to Collect Property Tax Directly.
- System No. (1) of 1956, Knowledge Tax System, Article No. (2).
- Order No. (753), Issued by the Commander of the West Bank Area in the Israeli Army, 1978.
- Law No. (8) of 2017, Concerning Education and General Education, Article No. (48).
- Education and Taxation System No. (24) of 2021.
- Paris Economic Protocol Agreement 29/4/1994.
- Draft Value Added Tax Law, 2021.
- Draft Customs Law, 2022.
- Jaber, Firas. 2018, «Colonial Taxes in Palestine,» Economic and Social Policy Monitor.
- National Development Plan 2021-2023 (Resilient Resistance and Decoupling, Development in Clusters Towards Independence).
- Sectoral Strategy for Public Finance Management 2021-2023.
- Reform Agenda, General Secretariat of the Cabinet, 2022.
- Cumulative Financial Monthly Report for December 2019, Issued by the Ministry of Finance on 28 January 2020.
- Cumulative Financial Monthly Report for December 2020, Issued by the Ministry of Finance on 14 February 2021.
- Cumulative Financial Monthly Report for December 2021, Issued by the Ministry of Finance on 2 February 2022.
- Cumulative Financial Monthly Report for December 2022, Issued by the Ministry of Finance on 29 January 2023.
- Cumulative Financial Monthly Report for December 2023, Issued by the Ministry of Finance on 27 January 2024.
- Law Regarding the General Budget for 2024.
- Palestinian Labor Law, No. (7) of 2000.
- Cabinet Decision No. (11) of 2012 Regarding the Adoption of Minimum Wage in All Areas of the Palestinian National Authority.

- Cabinet Decision No. (4) of 2021 Regarding the Implementation of Minimum Wage in Palestine.
- Palestinian Central Bureau of Statistics, 2023, Palestinian Labor Force Survey: Annual Report: 2022. Ramallah - Palestine.
- Research Paper Titled «Proposed VAT Law,» 2022, from the Publications of Miftah.
- Jordanian Ministry of Finance, Income and Sales Tax Department: https://istd.gov.jo/AR/List
- The Coalition for Integrity and Accountability (AMAN). 2017, Palestinian Petroleum Authority Between Reality and Expectations. Ramallah - Palestine.
- Income Tax Law No. 91 of 2005 and Amendments, Arab Republic of Egypt.
- Income Tax Rates in Israel 2023, https://www.kolzchut.org.il
- Income Tax Law No. (34) of 2014 and Amendments, Article No. (11), Hashemite Kingdom of Jordan.
- Palestinian Investment Encouragement Law No. (1) of 1998 and Amendments.
- Law No. (8) of 2011 Regarding Income Tax.
- Possible Measures to Reduce Tax Evasion, Annual Economic Report 2015, Palestinian Economic Development and Reconstruction Council (PECDAR).
- Firas Jaber, and Iyad Al-Rayyahi, «A Comparative Study of Tax Systems in Six Arab Countries 2014,» Economic and Social Policy Monitor, Palestine.
- The Coalition for Integrity and Accountability (AMAN). 2024, Palestinian Tax System: «Assessment of the Sectoral Strategy for Public Finance Management 2021-2023.» Ramallah - Palestine.
- Afana, Moayad. 2024, «The Law on Compensation for Israeli Dead: A Dangerous Development in the Piracy of Palestinian Funds,» Al-Hewar Al-Mutadamn, Issue 8088, 2/9/2024.
- Palestinian Central Bureau of Statistics. 2023, «Features of the Informal Sector in Palestine 2022,» Ramallah – Palestine.
- Law No. (2) of 2011, Amending the Palestinian Investment Encouragement Law No. (1) of 1998.

- Law No. (7) of 2014, Amending the Palestinian Investment Encouragement Law No. (1) of 1998 and Amendments.
- Law No. (20) of 2016, Amending the Palestinian Investment Encouragement Law No. (1) of 1998 and Amendments.
- Mediterranean Program for Micro, Small, and Medium Enterprises, «Policies and Programs for the Development of Micro, Small, and Medium Enterprises in Palestine» 2024: https://medmsmes.eu/ar/palestine
- Law No. (1) of 2000, Concerning Charitable Societies and Civil Institutions.
- Law No. (4) of 1999, Concerning the Rights of the Disabled.
- Cabinet Decision No. (24) of 2006 Regarding the Executive Regulations for Exempting Vehicles for Disabled People from Customs and Taxes.
- Afana, Moayad. 2013, «For Rationalizing Customs Exemptions for Charitable Societies and Disabled People,» from the Publications of the Coalition for Integrity and Accountability (AMAN).
- Palestinian Institute for Public Finance and Taxes Website: https://www.ppfi.ps/ar
- Detailed Citizens Budget 2023, from the Publications of the Ministry of Finance and the Palestinian Institute for Public Finance.
- Palestinian Basic Law.
- The Coalition for Integrity and Accountability (AMAN). 2024, «Analysis of the General Budget Performance for 2023,» Ramallah - Palestine.
- Hala Al-Shuaibi, Paris Economic Protocol, Review of Practical Reality, from the Publications of the Economic Policy Research Center (MAS), 2013.
- Palestinian Monetary Authority, Revenues, Expenditures, and Sources of Funding for the Palestinian National Authority (Cash Basis) 1996-2023.
- Raed Helles, Research Paper: «The Crisis of Clearance Revenues for the Palestinian Authority in Its Political Context and Economic Implications,» Published by the Zaitouna Center for Studies, Beirut - Lebanon, 2021.
- Palestinian News Agency «WAFA,» Israel Deducts Approximately 6.93 Billion Shekels from Clearance Funds and Refuses to Return Them, 18/8/2024, https://wafa.ps/Pages/Details/101649

Interviews

- Interview with Mr. Louay Hnesh, Director General of VAT and Customs and Excise Taxes at the Ministry of Finance, August 2024.
- Interview with Mr. Imad Abu Sabha, Director General of Income Tax at the Ministry of Finance, August 2024.
- Interview with Dr. Azmi Al-Shuaibi, Advisor to the Coalition for Integrity and Accountability (AMAN), Former Minister, Former Legislative Council Member, and Expert in Public Finance and Good Governance, August 2024.
- Interview with Mr. Maseef Maseef, Economic Expert and Researcher at the Economic Policy Research Institute «MAS,» August 2024.
- Interview with Ms. Lamis Farraj, Coordinator of the Civil Team for Supporting Budget Transparency in Palestine, August 2024.


22%