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FOREIGN ECONOMIC RELATIONS BOARD

**TURKEY – PALESTINE  
BUSINESS COUNCIL**



# INVEST IN PALESTINE

A Manual Regarding PIPA Incentives



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## Why Invest in Palestine?

### Country Profile

Palestine is a rich country in both its history and culture. It is situated at the crossroads between Africa, Europe and the Middle East .Palestine has a unique blend of languages, cultures and beliefs. It is also home to some of the most significant religious monuments in the world, the following schedule describes the socio-political characteristics of the country, and the basics to start a business in the vibrant and emerging market of Palestine.

Official Name:	State of Palestine
Capital	Jerusalem
International code	+970
Internet code	.PS
Total Area:	6,450 km <sup>2</sup>
Climate:	300 Days of Sunshine Average temperatures: Winter: High: 16°C , Low: 7°C Summer: High: 27°C , Low: 15°C
Estimated Population End 2015*	4,749,486
Principal Cities:	Jerusalem; Bethlehem; Hebron; Jenin; Jericho; Nablus; Ramallah & Al-Bireh; Gaza City; Rafah; Khan Younes
Languages:	Arabic (official language) English (common) French, German, Hebrew, Italian, and Spanish are widely spoken
GDP at Constant Price 2014 (Value in Million USD) *	7,449.0
GDP per Capita at Constant Price 2014 (USD) *	1,734.6
GDP at Current Price 2014 (Value in Million USD) *	12,765.8
GDP per Capita at Current Price 2014 (USD) *	2,973.4
Total Registered Value of Exports 2014 (In Thousands USD) *	943,717
Total Registered Value of Imports 2014 (In Thousands USD) *	5,683,199
Used Currencies:	New Israeli Shekel (NIS) Jordanian Dinar (JD) US Dollar(USD); EURO



## 10 Motivating Factors to Invest in Palestine

1. **Dynamic economy and annual economic growth:** the Economic growth in Palestine reached 5.9% in 2012 along with annual growth in GDP while foreign investments scored 2.6% growth in 2012.. the economic indicators showed a general growth in various economic indicators.
2. **Incentives Package Contract:** that enables PIPA and Its Board of Directors to provide additional incentives for leading projects according to the sectors or the geographical location of the project.
3. **Palestine is a virgin land for variety of investments:** Palestine is in the phase of building and expanding its production chain to meet the needs of the growing local markets. All the economic sectors represent a variety of investment opportunities.
4. **Infrastructure and communications network:** Availability of competitive services in infrastructure particularly in wire and wireless communication networks in addition to well develop data systems.
5. **Qualified Industrial Zones:** the Industrial zones strengthened the success of investment through offering services, advanced infrastructure and rewarding incentives for investments. In addition to the investment registration and licensing services to facilitate registering and launching the projects. There are many industrial zones in Palestine: (Bethlehem Industrial zone, Jericho agro-industrial zone, and Gaza Industrial City) .There are two industrial zones that are still in the construction phase (Jenin Industrial zone, Tarqoumia Industrial zone).
6. **Strategic location:** Palestine is located in the heart of the world, linking Asia, Africa, and Europe: It is situated on the Mediterranean Sea and the Red sea, Palestine is a touristic attraction to many since it, has religious monuments, archaeological areas, warm weather, or the rich cultural heritage.
7. **Qualified labor force:** Palestine has a wealth of well-educated and trained (skilled) labor force that represents 43.6% of its population.
8. **Suitable work environment:** the legal environment, the availability of laws and regulations guarantee a healthy investment climate. The Palestinian government has put extensive efforts to provide the proper facilities and support investors through the establishment of the Palestinian Investment Promotion Agency (PIPA) to encourage investors to invest in Palestine by providing advice and support, as well as an after care strategy.
9. **Access to global markets:** with more than 11 commercial agreements, Palestine has access to a number of wide spectrum markets, intra-regional trade treatments, simplified procedures and customs which ease accessing international markets, as well as the availability of preferential agreements for Palestinian products in the Arab world, consisting of 350 million consumers.
10. **Access to financing:** variety of good financial systems, funding and lending, with easy and flexible financing programs responding to investor needs.



## Economic Outlook

The economic growth declined in 2014 since the value of GDP and GDP per capita decreased compared with 2013, while unemployment rate increased compared.

**Table 1: Palestinian Economic Indicators 2013-2014**

Economic Indicator	2013	2014
Labor Force (million)	1,155	1,255
Inflation%	1.72	1.7
GDP(million\$)	7,477.0	7,449.0
GDP/Capita(\$)	1,793.3	1,734.6
Unemployment%	23.4	26.9
Exports(million\$)	900	943.7
Imports(million\$)	5,163	5,683.2

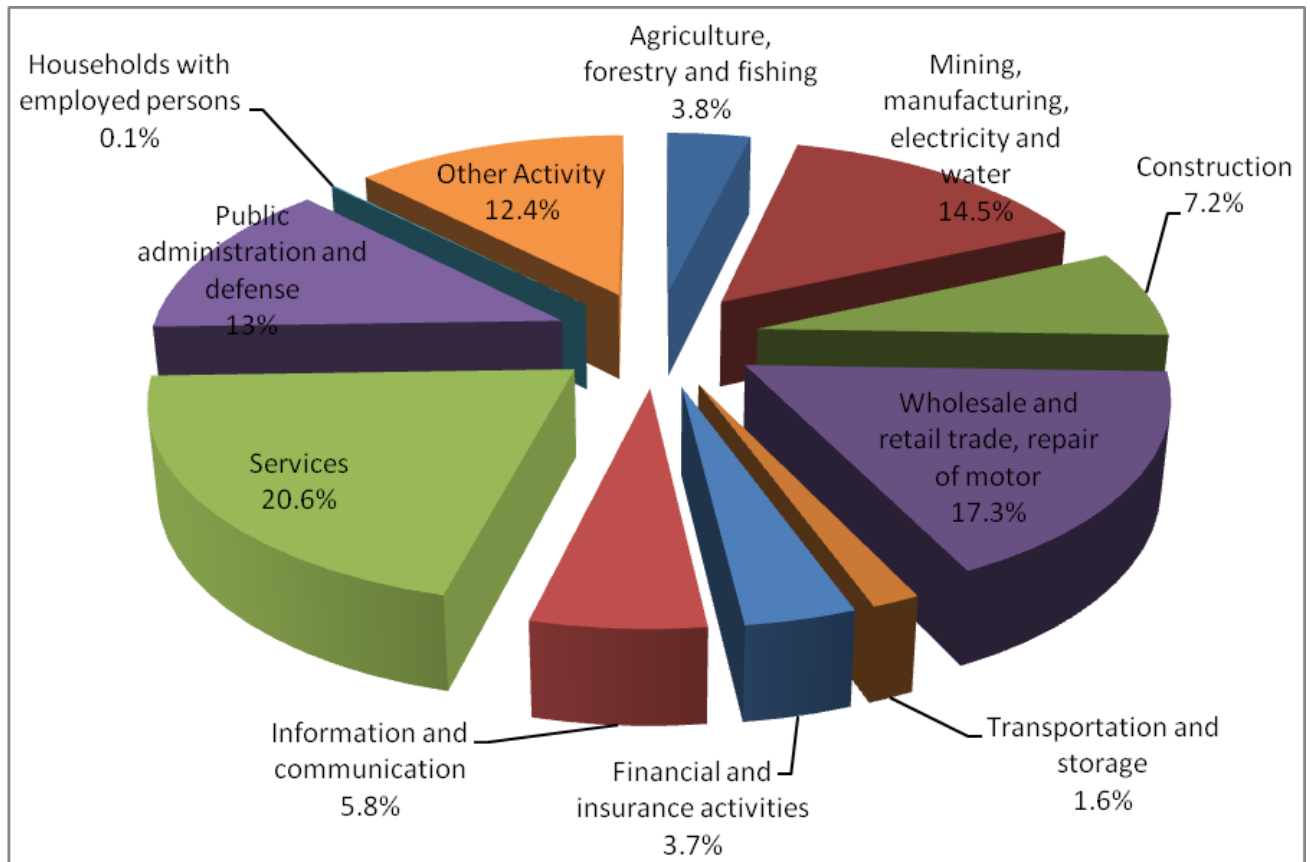
**Table 2: Percentage Contribution to GDP in Palestine at Constant Prices by Economic Activity (2014)**

Economic Activity	Valuable contribution	Contribution rate
Agriculture, forestry and fishing	283.1	3.8
Mining, manufacturing, electricity and water	1080.1	14.5
Construction	536.3	7.2
Wholesale and retail trade, repair of motor vehicles and motorcycles	1288.7	17.3
Transportation and storage	119.2	1.6
Financial and insurance activities	275.6	3.7
Information and communication	432	5.8
Services	1534.5	20.6
Public administration and defense	968.4	13.0
Households with employed persons	7.45	0.1
Other Activity	923.7	12.4
GDP	7449.05	100.0

Value in Million USD



**Figure 1: Percentage Contribution to GDP in Palestine at Constant Prices by Economic Activity (2014)**





## Legal and Political Structure

Palestine is an Arab state with a democratically elected government. The process of institutional development began with signing of the Oslo Accord in 1993. This accord established the Palestinian National Authority as the executive representative of the Palestinian Liberation Organization (PLO). The Oslo agreement defines the interim rules of administration and security during the period leading up to a final status agreement.

The status of Palestine during this period is defined in the Declaration of Principles on Interim Self-Government (DOP), signed in Washington in September 1993. In the agreement, the Palestinian National Authority is defined geographically as the self-ruled territories, and administratively as the two main organizations, the Palestinian Legislative Council (PLC) and the Council of Ministers. With respect to sovereignty during the interim period, the Palestine Territories area is divided into three different areas according to the level of Palestinian Authority. Israel maintains external security in all three areas.

- Area "A" covers all Palestinian urban areas where the PNA has full autonomy. The PNA is responsible for administration and enforcement of the law on all levels. This includes civilian and police powers.
- Area "B" covers Palestinian rural areas where the PNA has civilian jurisdiction but no police powers. Israeli and Palestinian police patrol together
- Area "C" includes Israeli settlements, military areas and open areas. These areas are under complete Israeli control.

### **Palestinian government structure:**

The Palestinian Legislative Council (PLC) is the representative legislative body, or parliament of Palestine. It is a unicameral legislative council comprised of the President, elected to a 4-year term by direct popular vote, and 132 members, directly elected on a multi-member constituency basis. The current President, Mr. Mahmoud ABBAS, became President of the Palestinian National Authority in January 2005. The Council of Ministers reports to the PLC. Due to the geographical separation between Gaza strip and the West Bank (approximately 1.5 hours by car), each ministry maintains two offices.

### **Palestinian National Authority**

**President:** Mr. Mahmoud ABBAS elected by the Palestinian people in the West Bank, Gaza strip, and East Jerusalem

**Prime Minister:** Position appointed by the President. Current Prime Minister Dr. Rami Hamdallah

**Palestinian Legislative Council (PLC):** One hundred and thirty two members elected by Palestinian population voting in the West Bank, Gaza strip and East Jerusalem.

### **Legal Environment**

The Palestinian legal system is in the process of being modernized. For this process to be valid and all-encompassing, it will naturally take some time. Once the draft laws have been drawn up, each piece of legislation will call for ratification with the Palestinian Legislative Council (PLC) and promulgation. Currently, the legal environment in the West Bank and Gaza Strip represents a conglomeration of a variety of laws imposed upon the areas by historical governments. The current series of laws being established will add new layers, modernize, unify the existing laws, and establish new laws where necessary.





Considerable international assistance in the form of technical expertise and financial aid is being provided in order to both speed up the process, and ensure the new laws are just and effective in the long-term. The process of defining a new legal system for a nation in its infancy is even at the best of times, a rightly drawn out process.

## Life in Palestine

The overall Palestinian business community is marked by its entrepreneurial nature. In addition to the history of reliance on Israel for many goods and services, almost every business established in Palestine will have a niche market of needs to fulfill.

In addition, returning Palestinians from the US, Europe, and around the world have become accustomed to a certain level of professionalism and a certain quality and standard of goods. These standards and needs are becoming visible as the number of ISO certified businesses are increasing locally.

Many owners of large enterprises have international contacts and experience. In the past, business development and trade were directed towards Europe and the Gulf, more recently, however, local entrepreneurs have been turning to North America for partnerships, joint ventures and technical expertise.

All this said, Palestinians are extremely hospitable people, and it would be unheard of not to make a guest feel welcome in our country. It is very much the norm to discuss plans and opportunities over a cup of strong Arabic coffee or mint tea, or to be invited to dinner at a family home, or out to a restaurant for a meal. Also, politics are very much the topic of the day and if you want local insight, all you have to do is ask.

Pay no attention to what is said of the Palestinians on the news; we really are a generous, welcoming people with a strong drive to build our economy.

A prosperous Palestine is truly the strongest first step towards a lasting and just peace in the region.

## Language & dress:

The majority of Palestinian business people speak English, but it is advisable when negotiating contractual and legal documents to employ the services of a reliable translator, and/or a local attorney, to assist with the deal.

Palestinians tend to dress formally for business, usually in western business suits. In non-business situations, men and women tend to dress with an eye towards conservatism.

Business cards are always exchanged and appointments can be made on short notice.

The official working days during a week are from Sunday – Thursday. From 8:00 am until 15:00 pm, some private sector organizations operate until 17:30 pm, this varies by firm; some take Fridays off, others are closed on Sundays.



## Investment Legislation

The majority of Palestine's foreign trade is with Israel, followed by some of the Arab countries, the European Union, Turkey, South and East Asia and the United States. Like all countries that have a high trade dependence on one particular country, Palestine's dependence on Israel has both positive and negative consequences. On one hand, exporters know their markets very well and benefit from their advanced technology, but adversely, any shock to the Israeli economy can have strong effects on the Palestinian markets. Therefore, the Palestinian Authority and the private sector are cooperating to increase the rate of direct trade transactions with less dependency on Israeli intermediation.

### Economic Agreement with Israel (Paris Protocol)

The Paris Protocol, concluded in April 1994, and the Washington Agreement, signed between the Palestine Liberation Organization (PLO) and Israel in September 1995, set the procedures and regulations governing economic relations between Palestine and Israel for the interim period.

A result of applying the Israeli import policy is that bilateral trade agreements between Israel and other parties are considered valid in Palestine. Currently, Palestinian traders can benefit from free trade agreements with Canada, the Czech Republic, Hungary, Turkey and Slovakia. The PLO has the freedom to negotiate and conclude trade agreements, for the benefit of the Palestinian Authority, as long as the same import policy is applied in Israel and Palestine.

#### **The Paris Protocol - Economic Agreement between Palestine and Israel**

Bilaterally, the economic agreement states the basic principle of free trade with Israel.

#### **For third party trade, the Paris Protocol regulates the relations between Palestine and the rest of the world as follows:**

- Palestinian products are not subject to any export restrictions.
- Trade to and from Palestine has full access to Israeli ports of entry and exit. Palestinian imports and exports are granted equal treatment at the Israeli ports of entry and exit.
- Israeli regulations on customs, purchase tax and standards apply to Palestinian imports with the exception of goods listed in list A1, A2 and B. The Palestinian Authority has the right to apply, within pre-defined quotas, its customs rates, purchase tax and other import charges on those imports. In addition, the Palestinian Authority has autonomy in importing goods listed in A1 and A2 regardless of Israeli standard requirements.

Lists A1, A2 and B are included in the Paris Protocol. Goods imported under List A1 must be locally produced in Jordan, Egypt or in other Arab countries. Goods imported under List A2 can be imported from Arab, Islamic or other countries. Goods imported under List B are not subject to quantitative restrictions but are subject to Israeli standards.

Israeli import policy prohibits trade with several countries, mainly those that do not have diplomatic relations with Israel, including a number of Arab states. The only exceptions are those imports in list A1, A2 and B.



## Free Trade Agreements and International Cooperation Treaties

### *Free Trade Agreement with the United States*

Under the Palestinian-United States Free Trade arrangement, duty-free treatment is granted to all Palestinian products entering the United States and vice versa. In order to benefit from the duty-free treatment, the goods must meet the requirements of the American Rule of Origin.

### *Free Trade Arrangement with Canada*

The Free Trade Arrangement between the PLO and Canada grants tariff elimination on industrial products, and tariff reduction or elimination on agricultural products and processed food, in accordance with established quotas. The products must qualify under the Canadian Rule of Origin to benefit from the arrangement.

### *Interim Agreement on Trade and Cooperation with the European Union*

The Interim Association Agreement on Trade & Cooperation with the European Union (EU) grants reciprocal duty-free treatment to industrial products complying with the EU rule of origin. For agricultural items, the EU grants duty-free or reduced tariff treatment on the products exported to the EU within specified quotas. The same applies to agricultural imports from the EU to Palestine. The certificate of origin requirements must be satisfied to grant duty-free access

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### *Interim Agreement with the EFTA States*

Four member countries of the European Free Trade Association (EFTA), Iceland, Liechtenstein, Norway and Switzerland, signed an Interim Agreement with the PLO that provides duty-free treatment for most Palestinian and EFTA industrial products, fish and other marine products. For the majority of Palestinian and EFTA-processed agricultural products reduced tariffs are granted and some benefit from full duty-free treatment.

The PLO signed separate protocols with the four EFTA countries to identify the agricultural duty-free products, because EFTA countries do not share a common agricultural policy. The EFTA Rule of Origin is the same as applied by the European Union.

### *Agreement on Commercial Cooperation with Russia*

Both parties extend to one another the status of the Most Favored Nation in regard to trade. Imports and exports between the two parties are duty-free for the following goods:

- Instruments and items specified for montage and repair
- Equipment and instruments specified for undertaking experiments and scientific research
- Articles for demonstration during fairs and exhibitions
- Containers and similar packages utilized in international trade on a return basis.

### *Interim Agreement on Trade with Turkey (the Republic of Turkey)*

The Interim Free Trade Agreement with turkey grants duty- free treatment to industrial products. It aims to the progressive abolition of the obstacles to trade between the two Parties and shall gradually establish a free trade area on substantially all their trade between them. The objective of this agreement shall be to increase the economic cooperation, eliminate restrictions and promote trade, encouragements of investments, and promote cooperation between the parties in third country markets.



### ***Preferential Treatment: Trading with the Arab World***

Palestinian importers can trade with all Arab countries when importing goods included in Lists A1 and A2 of the Paris Protocol, within pre-defined quotas. Moreover, economic agreements and arrangements regulate preferential trade relations between Palestine and Jordan, Egypt and Saudi Arabia.

### ***Economic Agreement with Jordan***

The Palestinian-Jordanian Trade Agreement provides preferential tariffs for goods traded between Palestine and Jordan. Goods in Lists A1, A2, and B of the Paris Protocol entering Palestine and the agreed-upon products entering Jordan are duty-free, provided that the import volume does not exceed predetermined quotas, and the goods meet the Jordanian Rule of Origin.

### ***Economic Agreement with Egypt***

The Palestinian-Egyptian Trade Agreement states that Egyptian products of national origin are exempt from customs and related duties if on Lists A1, A2 or B of the Paris Protocol. Palestinian products are granted duty-free entrance to Egypt according to a defined list and if they satisfy the requirements of the Egyptian Rule of Origin.

### ***Trade with Saudi Arabia***

Palestinians can export all types of products to Saudi Arabia, but will be granted duty-free treatment by the government of Saudi Arabia for the following Palestinian products: agriculture, livestock, and metallic and non-metallic raw materials. In order to benefit from the preferential arrangement, the Rule of Origin for Arab countries must be satisfied.

## **Import Laws and Procedures**

Palestinian and foreign entities must obtain a trade authorization before engaging in any trade transaction. The Foreign Trade Dealing Registration is a one-time authorization to trade, applicable for both import and export across international borders. Applications are submitted to the Ministry of National Economy, upon approval, they will provide authorization for both Palestine and Israel. No fees are charged and the time frame of the procedure should not exceed three weeks.

A summary of laws and procedures for importing or exporting goods in Palestine is outlined in the following sections.

For more detail regarding the requirements for import and export licenses and procedures, please consult The Palestinian Export Import Guide available through Ministry of National Economy.

Please consult either with PIPA or the associated Ministries and monitoring agencies.

The below listed information represents a series of guidelines and general requirements. They are not to be considered the final source on export/import procedures and regulations.

The importer must be aware of certain requirements that must be fulfilled prior to importing and while clearing goods at the port of entry. These requirements do not apply to all categories of imported goods. Failure to meet these requirements may result in delays and additional costs. These requirements are:

- Valid Import Licenses
- Valid Certificates of Origin
- Compliance with Standards & Testing
- Compliance with Sanitary and Phytosanitary Regulations
- Proper Marking, Labeling and Packaging

The Palestinian licensing system requires an import license in the following cases:



- When imports are subject to quotas, as in the case of agricultural products and goods cited on Lists A1, A2 and B of the Paris Protocol.
- When public health is involved (i.e. meat, foodstuffs or pharmaceuticals) a license is required to verify that imports meet Palestinian standards.
- When importing petroleum, gas, telecommunications equipment, or motor vehicles.
- As the Palestinian applies the Israeli import policy, an import license is required when an (L) indication appears in the Tariff Book of Israel.

Applications for import licenses are obtained at the General Directorate of Internal Trade – Ministry of National Economy. The applicant is required to provide four copies of the application form.

The following categories of products require approval from relevant Palestinian ministries and/or entities prior to the issuance of the license:

- Gasoline (petrol) and oil require the approval of the General Petroleum Corporation.
- Cigarettes and tobacco require authorization from the Palestinian Tobacco Authority.
- Insecticide and paint mixtures require approval from the Environmental Department.
- Motor vehicles and related spare parts require approval from the Ministry of Transportation.
- Telecommunications items require the approval of the Ministry of Post and Telecommunications.
- Agricultural products and foodstuffs require the approval of the Ministry of Agriculture.
- Chemical products require the approval of the Ministry of Health.

Additional detailed information regarding the above requirements can be obtained from the Ministry of National Economy, trade associations, trade agencies or from The Palestinian Export Import Guide.

Prohibited Goods

Clearance of Goods

Tariffs

Customs Valuation

Other Levies: Surcharges

Purchase and Excise Taxes

Value-Added Tax (VAT)

Transportation

### **Prohibited Goods**

All sources of internationally controlled substances such as narcotic drugs and psychotropic substances. Pornographic publications, hate literature and any other materials contrary to generally accepted public morals, human, animal & plant health or national security.

Imports of motor vehicles older than 3 years, according to Article 3, Paragraph 11 (a) of the Paris Protocol.

### **Clearance of Goods**

before goods arrive to the port, the importer should inform the clearing agent regarding the date of arrival and provide the agent with the required documents. Assuming all the documentation is in order, the Customs Declaration Form will be issued.

Once the shipment arrives, goods must be unloaded, cleared, inspected and pass security clearance.

After being inspected, a gate pass is provided to the importer. The goods can then leave the port area.

Special arrangements to leave the port area apply to trucks transporting frozen meat and livestock to the West Bank and Gaza Strip (which require an Israeli Authority escort either (1) directly to the importer's warehouse or (2) to the Palestinian checkpoint when such a warehouse lies within Area A). The same escorting procedures apply to goods destined for the Gaza Strip on Palestinian trucks.



### **Tariffs**

Most tariffs are ad valorem (proportionate to the value of the goods) and consequently, are calculated as a percentage that includes cost, insurance and freight (CIF).

Sometimes tariffs are calculated on a pre-specified basis, which is assessed on a statistical unit, as listed in the Tariff Book. Specific duties are common in the agricultural sector, particularly on meat, fruit, nuts and animal or vegetable fats and oils.

Tariffs can be combined (ad valorem plus specific). The total tariff is the sum of an ad valorem and a specific tariff. Combined tariffs apply mostly to textiles and textile articles, beverages and spirits, some electrical machinery, fish and crustaceans, edible vegetables and prepared cereals.

Tariffs can also be alternative (either ad valorem or specific). The Tariff Book indicates which of the two apply with the following acronyms: "But Not Less" (BNL) or "But Not More" (BNM). Alternative rates are applied mainly to clothing, dairy products, live animals, poultry, meat, edible fruit, prepared vegetables and some electrical machinery and equipment.

### **Customs Valuation**

Customs valuation follows the Brussels definition of value: the value of imported goods is the value of the goods on the open market on the day they are released from the customs authorities.

### **Other Levies: Surcharges**

The Tariff Book contains a special column indicating compulsory surcharges (indicated by the letter ("C")) applied on a number of imported goods including foodstuffs such as edible meat, fish and crustaceans, and textile products.

### **Purchase and Excise Taxes**

Purchase and excise taxes are levied on both local and imported goods. Purchase taxes are levied on consumer goods (perfumery, carpets, clocks and watches), iron and steel products, some copper products, alcohol, machinery and boilers, some electrical machinery, motor vehicles, cosmetics, and tobacco. The purchase tax is calculated on the value of goods, adding the import increment.

Excise taxes are applied to alcoholic beverages, petroleum, arms and tobacco.

### **Value-Added Tax (VAT)**

The value-added tax is an indirect form of taxation on both locally produced and imported goods. The VAT is calculated at 16 % and is applied after all other tariffs and taxes have been added to the CIF value.

### **Transportation**

Transporting goods from Israeli ports to the West Bank or Gaza can be done by Israeli-licensed trucks (yellow plated) or Palestinian-licensed (green plated) trucks. When Palestinian trucks are used, they require special permits.

Goods transported to the West Bank by Israeli-licensed trucks are permitted to proceed all the way to the final destination. Some Palestinian vehicles are granted Israeli permission to transport goods from Israeli ports back to the West Bank.

Goods transported to Gaza by Israeli-licensed trucks must be unloaded at the Israeli crossing point with Gaza and reloaded on Palestinian trucks

## **Export Procedures and Regulations**

### **Export License**

Exports do not normally require licenses. However, certain categories of goods need to meet specific



standards and other controls. For these goods, export authorizations should be obtained; these automatically become export licenses when all the requirements have been fulfilled.

Categories of goods requiring an authorization are the following:

- Food stuffs and chemicals - authorization is obtained from the Ministry of Health.
- Agricultural products - authorization is obtained from the Ministry of Agriculture and is valid for a single shipment.

### **Certificates of Origin**

It is necessary to have certificates of origin in order to benefit from preferential tariff treatment. The trade agreements signed between the PA and the EU, USA, Canada, and the Arab countries state that exported goods should be accompanied with a certificate of origin in order to benefit from duty-free and the other preferential tariff treatments.

### **Shipping Documents**

The clearing agent receives products on behalf of the exporter and starts the process of transferring goods onto the international carrier. The international carrier can be paid either on "Freight Collect" or on "Freight Prepaid" basis.

The following are the documents to be prepared prior to shipping:

- Insurance: The most common clauses related to the trader's liability for the goods are "Free On Board" (FOB) and "Cost, Insurance and Freight" (CIF).
- Bill of Lading
- Airway Bill
- Invoices (pro-forma and commercial)
- Packing List

### **Marking and Labeling**

Common shipping marks are the identification of the importer, the number of the packing case, the port of destination, gross and net weights, outside measurements of the case, the country of origin and cautionary marks if careful handling is needed. However, rules applying to shipping marks can vary according to the country of destination.

Labeling requirements vary according to the country of destination. Normally, detailed rules are applied to foodstuffs, pharmaceuticals and cosmetics, textile and garments. The importer provides details on labels according to the requirements in the country of destination.

### **Fees & Taxes**

There are no taxes, tariffs or duties to pay on exports. The importer will pay the required duties and taxes at the port of destination. Port fees to be paid are 1.3% of the value of the shipment.

### **Transportation**

Goods can be transported to the port area in containers or in other transport cases. In the latter case, the clearing agent, the trucking agency or the forwarding company may load the container. If the goods are transported in containers from the warehouse, then the exporter must arrange with the shipping or forwarding company for the container to be brought and filled at the factory.

### **Procedure from Gaza to the Port of Embarkation**

In case the exporting process starts from the Gaza Strip, goods must be transported to a crossing point with Israel, using Palestinian trucks. From the crossing points, the exporter has two options, either using Israeli-licensed trucks to reach the port area, or using Palestinian-licensed trucks.

### **Exporting and Re-exporting**

In the case of exporting goods which may be re-imported to the country of origin, there is a special license



to be obtained from the Ministry of National Economy. This license is made available for traders participating in fairs abroad and for exporters of machines to be repaired abroad.

In the case of foreign trade fairs, tariffs and duties will be paid only on the items sold abroad, based on counting of items returned to the West Bank and Gaza as compared to the packing list. In case machinery is being repaired abroad, only VAT will be paid on the value of the repair, this value is verified by the service invoice.

### **Drawback System**

The exporter can apply at the Ministry of National Economy for a license that allows reimbursement of duties for imports intended for processing and re-export. The request for this license must articulate the reasons for re-exporting and contain the following:

- Name and address of the exporter
- Type of products, quantity and the acquisition year
- Origin of the inputs and source of acquisition proved by the purchasing invoice

### **Re-exporting License**

The re-exporting license is used when exporting defects previously imported, such as motor vehicles, computers or electronic parts.

Please refer to our Business & Industry Database if you are looking for a shipping or clearing agent. They may have more information to provide.





## Business Opportunity

### List of Target Sectors

#### ICT

ICT sector is the fastest growing sector in Palestine. The existence of educated labor pool, in addition to Palestine's geographic proximity to high technology centers are two factors that have greatly contributed to the sector's fast growth.

Palestinian universities are capitalizing on the worldwide shortage of IT specialists by providing a strong emphasis on IT training in their curriculums. Sun Microsystems, for example, has donated laboratories to three Palestinian universities in order to train IT students.

A number of universities in Palestine have established Information Technology Units. The objective is to provide a specialized curriculum emphasizing areas that will be critical to the emerging Palestinian State. These units seek to graduate students already well versed in the special needs of ministries, municipalities, telecommunications companies, as well as banking and finance entities.

A commitment to international quality standards, such as CMM and ISO, and supportive international trade agreements, are key reasons for why leading names such as IDS, Oracle, 3Com and Timex have chosen to establish offices, R&D operations, or links in Palestine.

Types of IT Companies represented:

- Application Software Companies.
- Professional IT Consulting Service Providers.
- Professional Network Service Suppliers.
- Software and Solution Development Companies.
- Internet Service Providers.
- Professional and Technical Training Providers.
- Suppliers of Computing & Telecommunications equipment.

#### **Palestinian Information Technology Association (PITA)**

The Palestinian Information Technology Association (PITA) was founded in Ramallah, Palestine in early 1999. It is a not-for-profit, membership-based organization for locally registered companies working in the IT sector. The association represents more than 150 companies from various sub-sectors.



### **Characteristics and indicators for the ICT sector:**

The privatization of this sector can be realized as one of the successful experiences in Palestine. This experience has proven the ability of the Palestinian private sector to succeed, grow, and develop. A careful look at the activities, and achievements of the telecom, and information technology sectors reveal the following characteristics and indicators:

Palestine has all the basic elements for the advancement of the IT sector.

- 100% digital telecommunication infrastructure that is entirely developed by the Palestinian private sector.
- Palestine hosts more than 250 companies specialized in the field of information and communication technology.
- The IT sector contribution is around 5-7% of the total Palestinian GDP.
- 600 million dollars is the net contribution of the ICT sector in the Palestinian market.
- The market has over 3 million mobile phone subscribers, over 400 thousand fixed-line subscribers, in addition to 100 radio stations and local television stations, and 17 companies operating in the field of telecommunications, and Internet.

### **Food and beverage industry**

The food and beverage sector has been one of the fastest growing sectors of the Palestinian economy. The Investment Encouragement Law eased restrictions on new businesses in 1998 and as a result, the sector has become a major attraction for investment.

The Palestinian Territories offer a business friendly environment in which to start, or expand a business in the food and beverage industry for a number of reasons:

- Strategic location in the region.
- An Investment Encouragement Law, which provides generous incentives to facilitate the growth & expansion of businesses in Palestine.
- The availability of an experienced work force.
- The implementation of international treaties and free trade agreements with major industrial countries.

Manufacturing plants in this sub-sector are modernly equipped. Most of the plants are semi or fully automated. A large percentage of the existing food & beverage manufacturing plants are ISO-certified.

### **Market Share:**

Market share of Palestinian-made food products has increased dramatically during the past few years. In



2012, the Palestinian food and beverage market share was 62.7%. This was due, in part, to aggressive government policies to encourage local investment, and a marketing campaign to promote Palestinian manufactured food and beverages.

#### Market & Profitability:

The food and beverage manufacturing industry is dependent, as are other manufacturing industries, on the strength of the local market. 87.7% of all sales are directed to the West Bank, with the remainder going to Gaza. 89% of exported products are sold in the Israeli market; the rest are sold in the Middle East and Europe.

#### Indicators for the Important Food Industries in Palestine

Type of Industry	No. of Factories	No. of Workers	Investment	The local market share	value of exports
Meat products industry	17	559	25 \$ Million	90%	6 \$ Million
Processing and canning fruits and vegetables	18	545	30 \$ Million	20%	21 \$ Million
Industry, vegetable oils and fats	13	295	70 \$ Million	20%	31 \$ Million
Milk & Dairy Product	41	1,754	67 \$ Million	45%	5 \$ Million
Industry wheat flour & cereal products	9	236	45 \$ Million	30%	-
Feed industry	22	329	35 \$ Million	15%	-
Bread and bakery products	1,498	5,848	100 \$ Million	90%	-
Sugars and sweets	27	1,213	22 \$ Million	25%	8 \$ Million
Pasta and noodles	5	89	34 \$ Million	30%	-
Soft drinks and non-carbonated	20	978	34 \$ Million	20%	-
Other food products	31	860	12 \$ Million	35%	-

\*: In USD millions



## Textile and Garments

The textile & clothing industry is the second largest industrial employer in Palestine. The industry is composed of hundreds of small enterprises operating out of individual homes. Seventy percent of registered companies are considered sole proprietorships, with the remaining 30% being registered partnerships.

The highest concentration of garment & textile factories in the West Bank is in Nablus, where there are 362 factories. 760 factories are in Gaza, with the balance of 578 factories distributed throughout the West Bank towns & cities.

The dominant segment of the industry (50%) is made up of micro-establishments constituting between one and four employees. Only 1% of the sector employs over 50 workers. The remaining 49% of garment and textile factories in the West Bank and Gaza employ between 5 and 49 employees.

### **Distribution & Market share:**

An increasing number of Palestinian companies are exporting directly to the USA, Europe and surrounding Arab countries. While a significant percentage of the 80% of production goes to Israel.

Palestine signed free trade agreements with the United States and Europe, which provide favorable terms for export and investment

## Tourism sector

The tourism sector in Palestine is continuously growing, in the presence of all the significant elements that guarantee economic success, and prosperity. The sector is able to attract foreign and domestic investments and can appeal to investors with its diversity of the cultural, and religious diversity, as well as environmental and natural wealth. Palestine's natural geography is composed of coastal and mountainous landscapes. The oldest city on earth, Jericho, lies within Palestine, as well as the Dead Sea, with its wealth of minerals and the possibility it holds for investors in the tourism sector, as it is still under developed in terms of the availability of health spas and recreational facilities. Palestine is home to the three major religions, and is rich with Islamic and Christian holy momentums that attract a huge number of tourists each year.

Recreation and tourist facilities are available across Palestine to serve tourists. Conference facilities are also available for use of businessmen.

Tourism is important not only due to its financial importance as a sector that can employ a large number of employees and improve their income, but its importance lies more in the fact that it can serve as a platform through which Palestinians can reach the world with their rich culture and distinctive identity.



### **Palestinian Tourism Sector indicators:**

- The estimated contribution of the tourism sector in Palestine's GDP is 6%.
- The estimated contribution of the sector is about 348,917 million dollars.
- The tourism sector establishments are 6,258, and sector employs 33,319
- Annual sector production in Palestine 586,570 million dollars.
- According to PCBS statistics, 432 thousand tourists have visited Palestine in 2015.

### **Hotel indicators:**

Palestine is currently implementing hotel classification system, according to the international standards.

The operating hotels in the West Bank in 2015 are distributed by region as follow:

<b>Region</b>	<b>No. of Hotels</b>	<b>No. of Rooms</b>	<b>No. of Beds</b>
North of West Bank	18	366	1,053
Middle of West Bank	36	1,599	3,401
South of West Bank	37	3,424	7,507
Jerusalem	21	1,403	3,034
Gaza Strip	12	536	985
<b>Total in Palestine</b>	<b>124</b>	<b>7,328</b>	<b>15,980</b>

source: PCSB

## **Drugs and pharmaceutical**

### **The Evolution of the Pharmaceutical Industry in Palestine**

The pharmaceutical industry in is unique and distinctive, as the industry began actual production in 1969, and in small quantities and capabilities. The productivity was modest due to technology and production ations. In the mid-seventies, the number of companies reached nine companies, because of the increasing demand for drugs and the high financial returns on investment. As a result, the number of patented drugs reached 691 in 1983, and increased to 800 in 1995.

The number of pharmaceutical companies that manufactured medicines for human consumption was 6 companies, in addition to 6 other companies that manufactured veterinary medicines. Four of the human



pharmaceutical factories were certified for good manufacturing practice, while the rest of the factories, laboratories, and private factories for veterinary medicines are undergoing a rehabilitation process to obtain this certificate.

### **Current Market Place**

Palestinian pharmaceutical companies have expanded their production capacity and product lines at a rate of 7-10% per annum over the past 25 years. Product lines are focused on meeting the needs of the Palestinian market place

There are currently six major Palestinian companies with approximately \$45 million in capital investment. All are members of the Union of Palestinian Pharmaceuticals Manufacturers, UPPM

70% Percent of local producers are located in the West Bank. The remaining companies operate in the Gaza Strip, and are distributed as follow: 60% for the Israel market, 25% for the local market and 0.15% for Arab market and exported to other countries.

### **The Manufacturing Sector**

#### **Stone and Marble**

Stone and Marble sector represent 4.8% of the Palestinian Gross Domestic Product (GDP). The average annual sales of the sector are approximately \$600 million Technology in use is mostly semiautomatic for 85%, with some automatic equipment for 15% of the sector. 95% of the raw material comes from local sources.

The easiest and closest market for the Palestinian Stone and Marble business is Israel, which constitutes about 65% of sales. The West Bank is the second largest consumer that results in around one quarter of total sales.

The Middle East region also counts as a strong market with an increasing potential as a neighboring market that is supported by existing distribution systems. Some leading companies have successfully penetrated the American and European markets. Overall, the Palestinian stone has high export potential, and is similar to the marble currently exchanged in world markets with a variety of colors and characteristics.

#### **Indicators and important features:**

- 1,124 facilities, directly employs 25,000 workers.
- The productivity of this sector is around 600 million dollars annually.



- The added value of the stone and marble industry is 54% of the production value, or \$ 33 million dollars annually.
- Palestine is characterized by the presence of high-quality natural stocks that are high in quality and come in multiple types.
- Palestine ranked 12th globally in the stone industry.

The Union of Stone and Marble: Established in 1996, the USM-Palestine is an independent, non-governmental and non-profit membership-based organization dedicated to promoting the goals and protecting the needs of the Palestinian stone and marble producers. The USM has been the leading representative of the industry members since its establishment. Currently USM has 3 regional offices in Hebron, Nablus and Jenin, while its headquarters is located in Bethlehem.

## Agriculture

### Livestock, Forestry and Fishing

The agricultural land covers approximately 1.834 million acres that is cultivated with all kinds of vegetables and field crops, in addition to the groves of fruit trees. The amount of livestock varies from one year to another and from one season to another. The unique location and progression of many human civilizations in the territories led to the richness of biodiversity, where most types of natural vegetation and wildlife are found.

According to the classification of the Ministry of Agriculture, Palestine is comprised of five agro-ecological zones.

- The coastal plain zone (Gaza Strip): This zone extends from the North to South on the Southeastern shores of the Mediterranean Sea and is dubbed the “Fish Basket” of Palestine.
- The semi-coastal zone (North-Western corner of the West Bank), which includes the governorates of Jenin, Tulkarm and Qalqilia. This area receives the most annual rainfall.
- The middle elevation zone extending from Jenin in the North to Hebron in the South.
- The steppe zone that extends from Eastern Jenin to the Dead Sea in the south and is considered a range-land.
- The Ghor (Western Jordan Valley) zone.

### Climate & Geography & Agriculture

Geographic and climate diversity in Palestine provides for the growth of a wide range of agricultural products. Although Palestine’s agricultural area is relatively small, the diversity of climate is high, which makes it suitable for the production of vegetables year-round. In addition, the high level of mechanization



in Palestinian Agriculture practices (particularly in green houses, land preparation irrigation, and pesticide spraying) improves the production efficiency.

The warm winter months in the Ghor area allow for the production of winter vegetables, while the moderate summer climate in the mountains and coastal areas allows for the production of vegetables.

The use of greenhouses grants a year-round vegetable production.

### **Sales and Market Share**

This sector is evolving rapidly and is working to export many products such as medical plants, which witnessed a growth spurt, and are a great addition to citrus, olives, tomatoes, spices and fruits as well as roses and strawberry that are important export products particularly to the European market.

### **Local and International Markets**

The agricultural trade patterns for Palestine represent a unique case in the Palestinian economy. While imports are still higher than exports, the latter remains to be a significant contributor to total Palestinian market. Despite this, some Palestinian producers are shifting their production lines to higher value-added products such as flowers, strawberries and cherry tomatoes, in order to become more competitive in the global market place. Strawberries are available as early as November. The highest prices in the European market for strawberries are during the months from November to January.

The cut flower is a relatively new industry (introduced in 1990), and is primarily found in the Gaza Strip. The industry has grown significantly. By 1996, the annual production had exceeded 70 million stems, all being exported to the European market. The cultivation of flowers contributes about 25 million dollars annually to the national income, while the jobs created in this sub sector are around 4,500 jobs.

Holdings and agricultural areas in Palestine: The amount of agricultural holdings in the Palestinian territories is 105.238 possessions, and the total cultivated area is 1,034.9 thousand dunums distributed as indicated below.





**Table 3: Agricultural Holdings in Palestine**

Type of Holding	% of Agricultural Holdings	Type of agricultural holding	% of cultivated area
Plant Holdings	68.2	Fruit Trees	63.8
Animal Holdings	10	Vegetables	12.5
Mixed Holdings	21.8	Field Crops	23.7

**Table 4: Animal Holdings in Palestine**

Type of Animal Holdings	Amount
Cows	40,000
Sheep	732,000
Goats	240,000
Broilers	537,200
Layers	1,600,000
Broilers	36,000,000
Birds of Turkey	318,400
Beehives	44,300

Source: PCBS

## Starting Your Business

### How to Establish Business in Palestine?

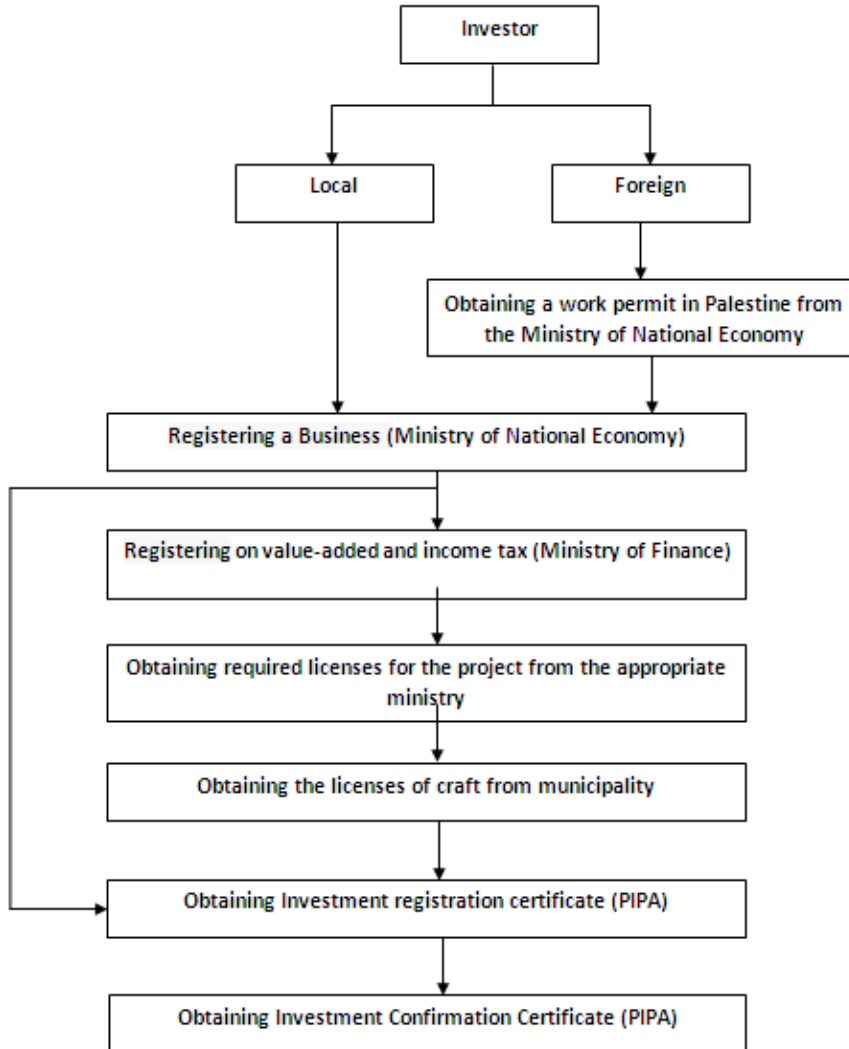


Figure 2: Establish a Business in Palestine

### How to get investor visit permit

- Passport copy with validity of minimum 6 months.
- A Personal photo.
- Supportive documents from a relevant Palestinian body (if the investor already registered his company or investment in the Palestinian institutions).
- An Overview on the proposed or the potential investment.
- A Summary of any previous investments within or outside Palestine.
- A Summary of possessions within or outside Palestine.
- Visit's planned date .
- Contact information: land line, fax, mobile and e-mail.



All documents should be submitted to PIPA personally, or via courier no less than 45 days of the deemed date of visit.

**PIPA contact information:**

Email: info@pipa.gov.ps

Tel: +970 2 2988791/2

Fax: +970 2 2988793

P.O. Box 1984, Ramallah.

Kindly note that all the required documents should be attached to the cover letter, the cover letter should consist of a summary of proposed investment and a list of the attachments. Once the requirements are fulfilled, PIPA will apply for the permit and contact the investor.

## Registering a Business in Palestine

### Procedures for the registration of companies

The Palestinian Government- including its ministries and intuitions , works together to facilitate the procedures of companies registration , through one stop shop that aim to achieve the best and easier services to investors by lower cost.

### Registration of Ordinary Company (public, ed)

#### Requirements for obtaining service

Fill (3 copies) of the company's registration form with the required data, signed by the partners in the presence of the Companies' Controller or Notary public.

#### Attachments

Choose a name for the company to be registered, fill it on the prescribed form used for verification of names and obtaining the approval in case the name is not identical with the name of another company on the register.

1. Fill (3copies )of the company's registration form with the required data, signed by the partners in the presence of the Companies' Controller or Notary public.
2. Submit (3 copies) of the company's Articles of Corporation and company's By-laws prepared by an attorney registered at the Palestinian Advocate Syndicate and signed by the partners.
3. Submit copies of the shareholders' identity cards and an attorney's proxy.
4. Copies Identities Partners.



## **Fees**

- 493 NIS: Registration fees
- 84 NIS: Fee per shareholder in case of signature in the presence of the Companies Controller.
- 87 NIS: Fees for the verification of the company's name.

## **Registration of (Public /Private) Shareholding Companies**

### **Requirements for obtaining service**

Fill (3 Copies) form Company Registration signed from Company Controller, or by Lawyer

### **Attachments**

1. Proxy attorney registered at the Palestinian Advocate Syndicate.
2. Copies Identities Partners.
3. Contract of establishment (3copies), Internal System of the Company (3copies), List of the partners.
4. Choose a name for the company to be registered, fill it on the prescribed form used for verification of names and obtaining the approval in case the name is not identical with the name of another company on the register.

### **Fees**

- 285 NIS: Registration fees
- 87 NIS: Fees for the verification of the company's name
- 84 NIS: Fee per shareholder in case of signature in the presence of the Companies Controller

## **Registration of Foreign Shareholding Companies**

### **Requirements for obtaining service**

1. Obtain a work permit by the observer after the approval of the Minister.
2. Application for registration of a foreign company (3 copies) signed by the lawyer by the original company or Commissioner appointed by the Company under the authorization letter certified by the Palestinian embassy or the Palestinian representation in the country of the company.
3. Payment of fees



### **Attachments**

1. Memorandum and an internal system of the original company certified by the Palestinian embassy or the Palestinian representation in the country of the company and whether the original contract language other than Arabic, are in addition to the translated legal translations and ratified by the Ministry of Justice and the State of Palestine.
2. Check and Registration Company Name
3. Approval of the Board of Directors appoints a representative for the company in the areas of the Palestinian Authority and the registration of a foreign company.
4. The company's last budget;
5. The names of the members of the Board of Directors and the nationality each of them.

### **Fees**

- 493 NIS: Registration fees
- 87 NIS: Fees for the verification of the company's name
- 84 NIS: Fee per partner in case of signing in the presence of the Companies Controller.

## **Registration of Non-Profit Companies**

### **Requirements for obtaining service**

Fill Registration form of Non-Profit Companies

### **Attachments**

1. Establishment Contract.
2. Company Name including Non-Profit Company.
3. Company Address.
4. Company Capital.
5. Authorized signatory.
6. Names of shareholders and their Nationalities.
7. Any documents that Controller needs it to register company.
8. The Treatment of Non-Profit companies like private shareholding companies through procedures of registration and fees.

### **Fees**

- 285 NIS: Registration fees.
- 84 NIS: Fee per shareholder in case of signature in the presence of the Companies Controller.
- 87 NIS: Fees for the verification of the company's name.



## Registration of Civil Company

### Requirements for obtaining service

Fill Registration form of Civil Company

### Attachments

1. Establishment Contract
2. Company Name including Civil Company
3. Company Address.
4. Company Capital.
5. Authorized signatory.
6. Names of shareholders and their Nationalities.
7. Any documents that Controller needs it to register company.
8. The Treatment of Civil Company like Ordinary companies through procedures of registration and fees

### Fees

- 493 NIS: Registration fees
- 84 NIS: Fee per shareholder in case of signature in the presence of the Companies Controller
- 87 NIS: Fees for the verification of the company's name

## Registration of Holding Company

### Requirements for obtaining service

Fill 3 Copies from Company Registration Application signed from Company Controller, or by Lawyer.

### Attachments

1. proxy attorney registered at the Palestinian Advocate Syndicate if not signed by the partners.
2. Copy of Partners ID
3. Establishment Contract
4. List of founders name
5. Check and Registration Company Name.
6. The Treatment of Holding Company like Public companies through procedures of registration and fees



## **Fees**

- 493 NIS: Registration fees.
- 84 NIS: Fee per shareholder in case of signature in the presence of the Companies Controller.
- 87 NIS: Fees for the verification of the company's name.

How to get Service ?

Ministry of National Economy & Or Branch Offices

Place of service ?

Customer Service Center at Ministry of National Economy & Branch Offices

## **Incentives**

The Institution Established by an Act of the Palestinian Legislative Council No (14) (2005), the Foundation is working to take care of minors and orphans funds aimed at preservation and development through its investment in accordance with the Islamic modes of financing. Palestine's Future:

Where some see problems and obstacles, others see challenges and opportunities. Today's Palestine presents growth and investment opportunities for companies both large and small. There is much work to be done in infrastructure, energy, transportation, and communications. Palestine's established industries such as food processing, stone and marble works, agriculture, and tourism also welcome new ideas in management and marketing. PIPA is Palestine outward expression of its policy of entrusting the development of the economy to the private sector, government's role is focused on creating and nurturing a good investment climate. For investors, early comers are the biggest winners. Now is the time.

### **Investment Incentives**

- Fixed assets are exempt from customs duties.
- Spare part important by the enterprise shall be exempt from customs duties provided that their value does not exceed (15%) of the fixed assets.
- Investors may freely transfer all financial resources out of Palestine At the applicable market currency exchange rates in effect the time of transfer In a convertible currency acceptable to the investor.
- Income tax (%0) for the Agriculture projects, industrial and tourism projects (5%) Up to Five years and 10% for 3 years, preceded by a grace period of a maximum of four years or until they generate a profit.
- Investment that increases their production exports for more than (40%).



- Investment use (70%). Of the local content. Investments that employ additional at least 25 workers during the period of benefit.
- No distinction between foreign or domestic investors.

Palestinian investment climate based on many of components which support the investment such as:

#### **The Arab Investment & Export Credit Guarantee Corporation "Dhaman"**

is a pan-Arab organization owned by the governments of Arab states & 4 Arab financial institutions, established in April 1974 as the first multilateral investment guarantee provider in the world, based in Kuwait and rated "AA Negative outlook" by Standard & Poor's.

#### **Objectives:**

- Promote the flow of foreign direct investment (FDI) into Arab countries through providing political risk insurance to Arab & non-Arab investors and lenders.
- Enhance Arab exports through providing political and commercial risk insurance to Arab exporters.
- Support Arab domestic trade through providing commercial risk insurance to B to B sales.
- Support economic growth in Arab countries through providing political & commercial risk insurance to non-Arab exporters and financial institutions involved in the sales of commodities, raw materials, equipment and other developmentally sound goods and services to Arab importers.
- Carry out research and knowledge sharing activities, technical assistance to Arab FDI promotion agencies and cooperation with Arab & International organizations involved in investment promotion.

#### **Multilateral Investment Guarantee Agency**

MIGA is a member of the World Bank Group. Their mission is to promote foreign direct investment (FDI) into developing countries to help support economic growth, reduce poverty, and improve people's lives.

#### **Sharakat Investment Fund**

targets a number of vital economic sectors that are crucial to the development of the Palestinian economy. Some of the investment funds are managed by Sharakat's own team while others are managed by Sharakat's partners. Sharakat's internally managed Investment Fund focuses on MSME's in the following sectors and areas: Jerusalem, Microfinance, Agriculture, Industry, IT, Health, Education, and Renewable Energy.





### **Foundation of Orphans Funds Development & Administration**

The Institution Established by an Act of the Palestinian Legislative Council No (14) (2005), the Foundation is working to take care of minors and orphans funds aimed at preservation and development through its investment in accordance with the Islamic modes of financing.

### **Taxes**

In an effort to improve the income tax system and reduce the tax burden on individuals, the State of Palestine passed new legislation on income tax brackets for individuals and companies in 2004, followed by a presidential decree to amend the income tax law No.8 for 2011. For companies, this is a change from a 20% rate to a 15% flat rate. For individuals, this is a significant change from a progressive bracket of 5-20% to 5-15%. The following sections briefly outline the taxation laws.

#### **Individual Income Tax Rates**

A new income tax law has been drafted and was passed in 2001, followed by a new amendments on the income tax law as presidential decree No. 8 for 2011. Income tax is withheld at source from salaried employees and individuals earning wages. Personal credits and other deductions, which the employee may be due, are factored into the calculation. If the annual income of the individual taxpayer is below the low-income tax-exempt status (adjusted annually), the taxpayer is exempt from filing an annual tax report.

The tax rates payable by Palestinian residents as of 2011 are as follows:

Annual Income, NIS	Income Tax Rate
1 - 75,000	5%
75,001-150,000	10%
150,001 and up	15%

**Table 5: Annual Income, NIS Income Tax Rate**

Special exemptions and/or credits are given to the unemployed, spouses, children, dependents and university students. The above tax rates are calculated before the applicable tax credits are applied. Employers are required to withhold tax from salaries paid to employees. The employer is required to report and to remit the withholding tax on a monthly basis.

Palestinian companies and businesses are primarily subject to a 15% tax on income, Excluding telecommunication companies and pure monopolistic companies in the Palestinian market which is primarily subject to a 20% tax on income. Losses, equipment depreciation, and business expenses are also factored into the calculation of taxes.



### **Foreign Dividend Tax**

A 15% tax is withheld at source from dividends distributed in Palestine to shareholders of a foreign company. There are, however, no taxes due on dividends distributed to shareholders of Palestinian companies regardless of where they live or their nationality, and regardless of whether they are an individual or a company. An automatic deduction at the source of 25% is withheld from companies, unless companies or individuals obtain a Deduction at the Source Certificate, which grants a reduced rate that ranges between zero and five percent. Applications for these certificates are available from the district tax offices.



## Value-Added Tax (VAT)

VAT is a consumption-based tax imposed on all local goods and services at a rate of 16%.

### VAT Categories:

- Large companies employing more than one employee with annual sales in excess of U.S. \$50,000 pay 16% VAT. Companies that fall under this category can issue a VAT invoice.
- Small companies employing more than one employee and whose annual sales do not exceed U.S. \$50,000 pay 16% VAT. Small companies do not have the right to issue a VAT invoice.
- Companies with annual revenues that do not exceed U.S. \$12,000 are exempt from VAT payments. These companies must declare their sales, on a self-assessed report, at the end of the tax year.
- Financial institutions, such as banks and insurance companies pay a 16% VAT on employee salaries each month, and a 16% VAT on profits generated semi-annually or annually.
- Non-profit organizations are exempt from paying VAT.
- Importers pay 16% VAT on the value of imported goods. This may be deducted as input tax when the VAT is declared to the VAT administration.

### VAT Refunds:

- Large companies are authorized to collect the VAT with their sales and deduct an equal amount from the VAT remitted to the government for their purchases.
- Small companies are authorized to collect the VAT and deduct an equal amount from the VAT to be paid on purchases from large companies.
- All VAT paid for business start-up costs will be refunded within one to six months of submission of the receipts.
- If there are no sales transactions during the month, the business is not required to remit the VAT.
- All refunds can be in the form of either cash or credits.
- There is no VAT on exports.

### VAT Exemptions:

- Exemptions from VAT are given to projects supported by the Palestinian Authority such as investments in financial institutions, preschool education, research and development projects, transportation projects, infrastructure projects, and food processing projects.

Table 6: VAT Categories, Refunds and Exemptions



Other Taxes

### **Capital Gains Tax**

Businesses and companies are not assessed for capital gains tax.

### **Tax for Service Contracts**

Income generated or earned from contracts entered into for the provision of services is taxable.

### **Dividends, Leases and Royalties**

Dividends paid out of profit are taxable. Dividends paid after redistribution of capital are exempt.

Royalties are not exempt. Lease payments are not exempt. Retained profits are exempt only if reinvested.

### **Purchase Tax**

Purchase taxes are payable by manufacturers or importers at the port of entry on certain consumer products specified by law. Products that are manufactured for export are exempt from the purchase tax.

Purchase tax is imposed at a rate of 5% to 95% depending on set rates and the type of good.

### **Gift and Inheritance Tax**

There are no taxes paid on gifts or inheritance in Palestine

## **Special Investment Zones**

Palestine is characterized of many features and preference provided to investors, especially in the existence of attractive investment structure and climate for business . The State of Palestine is seeking to provide facilities for investment and is keen to provide infrastructure and incentives in the industrial cities and industrial free zones in Palestine.

### **The industrial and agricultural zone of Jericho**

It will contribute to the strengthening of the food industry, it's execution agreement has been signed with Jordan and Japan in 2006. It has 2 phases ,the first phase (150 dunams) , followed by two stages on an area (500 acres) each.

**Geographic Location:** it is located at the south of Jericho, 4.5 km far from the city center, and 7 km from the Jordanian-Palestinian border.

**A partnership with( PRIDE), (PIEFZA), and (JIPA).**

### **Objectives:**

1. Create new markets.
2. Improve the quality of products.
3. Reduce the cost of the products.
4. Create new jobs and investment climate.



- 
- The project will be managed and operated by General Authority for Industrial Estates and industrial free zones and Jericho Company to develop Palestine Real Estate Investment (Prico), and Jordan Valley and the Dead Sea development company of the Palestinian Investment Fund - with the support of the Japanese government.

**For more information:**

- Telefax: +970 2 2960361
- Email: [info@pride.ps](mailto:info@pride.ps)
- Website: [www.pride](http://www.pride)

Development Company agro-industrial city of Jericho:

- Phone: +970 2 2986505
- Fax: +970 2 2986506
- website: [www.jaipark.com](http://www.jaipark.com)

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**The Industrial zone of Gaza:**

It's considered the first industrial city in Palestine and one of the most important cultural manifestations, both environmental and development in terms of its key role in ending the problems of installations offense within residential communities on the one hand and achieving the possibility of setting up small and medium enterprises, which are the arteries of the large industries on the other hand. It is also confronted to attract investment and facilitate the establishment of projects.

- Geographic Location: It's located at the east of Gaza City, 4 Km to the east away from Martyrs Square (Palestine Square) .
- industrial buildings and their specifications:

The industrial buildings in Gaza City are Classified and divided based on the type of industry, major, medium industries, and private industries.

spaces needed for these industries ranges between 500 m2 to 2000 m2. The factory area is determined according to the industry needs and investor's demand.

- Number of the established factories in the industrial zone are so far 72 factory with different sizes according to international standards:



- a roof with thermal insulator to maintain the temperature inside the factories, transparent panels for roofs and walls for lighting and ventilation and concrete floors with extended breaks which bear the high pressure. install lation of transparent panels ceilings and walls for lighting and ventilation needed for factories and concrete floors that bear high pressure and by the expansion joint.
- The length of the stores walls is 6.20 m and the central to rise length is 7.70 m .
- Interior and the administrative divisions are left to the owner of the factory to create it based on his need. created by his need for it.
- Existing industries in the region:
  - Sewing and textile industry.
  - Food industries.
  - Wood industries.
  - Aluminum and plastic industry.

For more information:

[General Authority for Industrial Estates and industrial free zones](#)

- Telephone: +9702 2960351/70/71
- Fax : +970 2 2960355

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### **The Industrial zone of Bethlehem:**

It's a result of Donors Conference which was held in Paris in December 2007. This project is implemented by French-Palestinian committee of the General Authority for Industrial Estates and industrial free zones and Bethlehem multidisiplanry industrial park - and the Palestinian Water Authority.

#### **Project Objectives:**

facilitate the development of of the industrial companie Network.

create between 500 to 1000 jobs through building a sustainable industrial area at south of the city.

support small and medium-sized businesses in order to develop new practices that will enhance its position in the domestic market and for exporting, in addition to improving the performance of its environmentally-friendly industries.

#### **Achievements:**

- The completion of a major power station to equip the industrial zone with electricity
- The establishment of the power line carrier to feed the RTS capacity 2 MW.



- The establishment of a high water tank with a capacity of 500 cubic meters to meet the needs of the region's water.
- Specify the location of the central processing unit. (CPU ) in collaboration with the developer company and is being supplied to choose a company processing unit after the international tender.
- The opening of the first of the company's headquarters in Schnaider Electric Industrial Zone and is currently working on holding training courses for engineers.
- The establishment of an office building consisting of two floors includes the offices of the company and the Commission services firms.

**For more information:**

[General Authority for Industrial Estates and industrial free zones](#)

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### **The Industrial zone of Jenin**

It's located on the most prominent strategic locations (Marj Bin Amer) with an area of (933 acres), it's close to the infrastructure and raw materials.

- Geographic Location: it is 25 km far from Haifa port, and 25 km far from the Jordanian-Palestinian border too.
- Project organizers : The General Authority for Industrial Estates and industrial free zones
- The project is funded by the German Government with 15 million Euros worth for infrastructure. .
- Project execution: A Turkish Company will develop and operate the industrial city of Jenin.
- Project importance: The project will create thousands of jobs and attract foreign investments; it will support the Palestinian economy.
- The main objectives of the project:
  - To Develop the Palestinian economy.
  - To Improve and promote Investments in Palestine.

**For more information:**

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