

## **Agreement on preparatory transfer of powers & responsibilities**

**August 29, 1994**

The Government of the State of Israel and the Palestine Liberation Organization (hereinafter "the PLO"), the representative of the Palestinian people;

### **PREAMBLE**

WITHIN the framework of the Middle East peace process initiated at Madrid in October 1991;

REAFFIRMING their determination to live in peaceful coexistence, mutual dignity and security, while recognizing their mutual legitimate and political rights;

REAFFIRMING their desire to achieve a just, lasting and comprehensive peace settlement through the agreed political process;

REAFFIRMING their adherence to the mutual recognition and commitments expressed in the letters dated September 9, 1993, signed by and exchanged between the Prime Minister of Israel and the Chairman of the PLO;

REAFFIRMING their understanding that the interim self-government arrangements, including the preparatory arrangements to apply in the West Bank contained in this Agreement, are an integral part of the whole peace process and that the negotiations on the permanent status will lead to the implementation of Security Council Resolutions 242 and 338;

FOLLOWING the Agreement on the Gaza Strip and the Jericho Area as signed at Cairo on May 4, 1994 (hereinafter "the Gaza-Jericho Agreement");

DESIROUS of putting into effect the Declaration of Principles on Interim Self-Government Arrangements as signed at Washington, D.C. on September 13, 1993 (hereinafter "the Declaration of Principles"), and in particular Article VI regarding preparatory transfer of powers and responsibilities and the Agreed Minutes thereto;

HEREBY AGREE to the following arrangements regarding the preparatory transfer of powers and responsibilities in the West Bank:

### **Article I : Definitions**

For the purpose of this Agreement, unless otherwise indicated in the attached Protocols:

- a. the term "the Palestinian Authority" means the Palestinian Authority established in accordance with the Gaza-Jericho Agreement;

- b. the term "Joint Liaison Committee" means the Joint Israeli-Palestinian Liaison Committee established pursuant to Article X of the Declaration of Principles;
- c. the term "Interim Agreement" means the interim agreement referred to in Article VII of the Declaration of Principles; and
- d. the term "Israelis" also includes Israeli statutory agencies and corporations registered in Israel.

## **Article II: Preparatory Transfer of Powers and Responsibilities**

1. Israel shall transfer and the Palestinian Authority shall assume powers and responsibilities from the Israeli military government and its Civil Administration in the West Bank in the following spheres: education and culture, health, social welfare, tourism, direct taxation and Value Added Tax on local production (hereinafter "VAT"), as specified in this Agreement (hereinafter "the Spheres").
2. For the purposes of this Agreement, the Palestinian Authority shall constitute the authorized Palestinians referred to in Article VI of the Declaration of Principles.
3. The Parties will explore the possible expansion of the transfer of powers and responsibilities to additional spheres.

## **Article III: Scope of the Transferred Powers & Responsibilities**

1. The scope of the powers and responsibilities transferred in each Sphere, as well as specific arrangements regarding the exercise of such powers and responsibilities, are set out in the Protocols attached as Annexes I through VI.
2. In accordance with the Declaration of Principles, the jurisdiction of the Palestinian Authority with regard to the powers and responsibilities transferred by this Agreement will not apply to Jerusalem, settlements, military locations and, unless otherwise provided in this Agreement, Israelis.
3. The transfer of powers and responsibilities under this Agreement does not include powers and responsibilities in the sphere of foreign relations, except as indicated in Article VI(2)(b) of the Gaza-Jericho Agreement.

## **Article IV : Modalities of Transfer**

1. The transfer of powers and responsibilities in the sphere of education and culture pursuant to this Agreement will be implemented on August 29, 1994. The transfer of powers and responsibilities in the remaining Spheres will be implemented in accordance with Article XI below.
2. The transfer of powers and responsibilities shall be coordinated through the Civil Affairs Coordination and Cooperation Committee referred to in Article X below and shall be implemented in accordance with the arrangements set out in this Agreement in a smooth, peaceful and orderly manner.

3. Upon the signing of this Agreement, the Israeli side shall provide the Palestinian side with, or enable free access to, all information that is necessary for an effective and smooth transfer.
4. On the date of the transfer of powers and responsibilities, Israel shall also transfer all movable and immovable property which exclusively serves the offices of the Civil Administration in the Spheres, including premises, whether government-owned or rented, equipment, registers, files and computer programs. The treatment of property which serves the offices transferred to the Palestinian Authority as well as offices which are not so transferred will be as mutually agreed between the two sides, such as on the basis of sharing or exchange.
5. The coordination of the transfer of powers and responsibilities pursuant to this Article shall also include a joint review of the Civil Administration contracts the duration of which extends beyond the date of the transfer with a view to deciding which contracts will remain in force and which will be terminated.

#### **Article V : Administration of the Transferred Offices**

1. The Palestinian Authority shall be fully responsible for the proper functioning of the offices included in the Spheres and for the management of their personnel in all aspects, including employment and placement of employees, payment of their salaries and pensions and ensuring other employee rights.
2. The Palestinian Authority will continue to employ Palestinian Civil Administration employees currently employed in the offices included in each Sphere and shall maintain their rights.
3. The main office of each of the Spheres will be situated in the Jericho Area or in the Gaza Strip. The Palestinian Authority will operate the existing subordinate offices in the West Bank. The two sides may agree on the establishment of additional subordinate offices in the West Bank, if necessary, in such locations as mutually agreed.
4. The Palestinian Authority has the right to coordinate its activities in each of the Spheres with other Spheres in which it is empowered.

#### **Article VI : Relations Between the Two Sides**

1. With regard to each Sphere, the Palestinian Authority shall coordinate with the Civil Administration on issues relating to other spheres in which the Palestinian Authority is not empowered.
2. The military government and its Civil Administration shall assist and support the Palestinian Authority in promoting the effective exercise of its powers and responsibilities. In addition, the military government and its Civil Administration shall, in exercising their own powers and responsibilities, take into account the interests of the Palestinian Authority and do their utmost to remove obstacles to the effective exercise of powers and responsibilities by the Palestinian Authority.

3. The Palestinian Authority shall prevent any activities with a military orientation within each of the Spheres and will do its utmost to maintain decorum and discipline and to avoid disruption in the institutions under its responsibility.
4. The Palestinian Authority will notify the military government and its Civil Administration and will coordinate with them regarding any planned public large-scale events and mass gatherings within the Spheres.
5. Nothing in this Agreement shall affect the continued authority of the military government and its Civil Administration to exercise their powers and responsibilities with regard to security and public order, as well as with regard to other spheres not transferred.

#### **Article VII : Legislative Powers of the Palestinian Authority**

1. The Palestinian Authority may promulgate secondary legislation regarding the powers and responsibilities transferred to it. Such legislation includes amendments and changes to the existing laws, regulations and military orders specified in Appendix A to each Annex.
2. Legislation promulgated by the Palestinian Authority shall be consistent with the provisions of this Agreement.
3. Legislation promulgated by the Palestinian Authority shall be communicated to Israel which may, within a period of thirty (30) days, notify the Palestinian Authority that it opposes such legislation for any of the following reasons:
  - (1) it exceeds the powers and responsibilities transferred to the Palestinian Authority;  
It is inconsistent with the provisions of this Agreement; or it otherwise affects legislation or powers and responsibilities which were not transferred to the Palestinian Authority.
4. Where Israel opposes proposed legislation, it shall specify the reason for the opposition.
5. If Israel has no reservations concerning the proposed legislation, it shall accordingly notify the Palestinian Authority at the earliest opportunity. If at the end of the thirty-day period Israel has not communicated any opposition concerning the proposed legislation, such legislation shall enter into force.
6. The Palestinian Authority may, in the event of opposition to the proposed draft legislation, submit a new draft or request a review by the Legislation Subcommittee established under the Gaza-Jericho Agreement.
7. The Legislation Subcommittee shall attempt to reach a decision on the merits of the matter within thirty days. If the Legislation Subcommittee is unable to reach a decision within this period, the Palestinian Authority shall be entitled to refer the matter to the Joint Liaison Committee. The Joint Liaison Committee shall consider the matter immediately and will attempt to settle it within thirty days.

8. Where, upon communicating to Israel proposed legislation consisting of detailed technical regulations, the Palestinian Authority states that such regulations fulfill the requirements of paragraph 3 above and requests a speedy review, Israel shall immediately respond to such a request.
9. Legislation regarding the West Bank shall be published as a separate part of any publication of legislation regarding the Gaza Strip and the Jericho Area issued by the Palestinian Authority.

#### **Article VIII : Law Enforcement**

1. The Palestinian Authority may bring disciplinary proceedings concerning persons it employs in the West Bank before disciplinary tribunals operating in the Gaza Strip or the Jericho Area.
2. The Palestinian Authority may, within each of the Spheres, authorize employees to act as civilian inspectors to monitor compliance with laws and regulations in that Sphere, within the powers and responsibilities transferred to the Palestinian Authority. Such inspectors shall operate in each Sphere separately and shall not be organized into a central unit. These inspectors shall not wear uniforms or carry arms, and shall not in any other way have the nature of a police force. They shall be required to carry the identification documentation referred to in paragraph 3 below. The number of employees to be authorized as civilian inspectors shall be agreed upon by both sides. The names of these employees shall be notified to Israel and, where these employees enjoy privileges pursuant to subparagraph 3 below, shall be agreed upon by both sides.
3. The Palestinian Authority shall issue the civilian inspectors in the West Bank with identification documentation specifying the office in which they are employed. Such documentation shall be used for identification and will not grant privileges, except those agreed in the Civil Affairs Coordination and Cooperation Committee referred to in Article X below, or immunities. This committee shall determine the format of the identification documentation.
4. Except as specifically provided in this Agreement, all powers and responsibilities regarding law enforcement, including investigation, judicial proceedings and imprisonment, will continue to be under the responsibility of the existing authorities in the West Bank.

#### **Article IX : Rights, Liabilities and Obligations**

1.
  - a. The transfer of powers and responsibilities to the Palestinian Authority under this Agreement will include all related rights, liabilities and obligations arising with regard to acts or omissions which occurred prior to the transfer. Israel and the Civil Administration will cease to bear any financial responsibility regarding such acts or omissions and the Palestinian Authority will bear all financial responsibility for these and for its own functioning.

- b. Any financial claim made in this regard against Israel or the Civil Administration will be referred to the Palestinian Authority.
  - c. Israel shall provide the Palestinian Authority with the information it has regarding pending and anticipated claims brought before any court or tribunal against Israel or the Civil Administration in this regard.
  - d. Where legal proceedings are brought in respect of such a claim, Israel will notify the Palestinian Authority and enable it to participate in defending the claim and raise any arguments on its behalf.
  - e. In the event that an award is made against Israel or the Civil Administration by any court or tribunal in respect of such a claim, the Palestinian Authority shall, once the award has been paid by Israel, reimburse Israel the full amount of the award.
  - f. Without prejudice to the above, where a court or tribunal hearing such a claim finds that liability rests solely with an employee or agent who acted beyond the scope of the powers assigned to him or her, unlawfully or with willful malfeasance, the Palestinian Authority shall not bear financial responsibility.
  - g. Notwithstanding subparagraphs 1.d through 1.f above, Israel may, pursuant to agreement within the Legal Subcommittee of the CAC established under the Gaza-Jericho Agreement, request an Israeli court or tribunal to dismiss a claim brought before it and, with regard to a pending claim, dismiss the claim and transfer the proceedings to a local court or tribunal.
  - h. Where a claim has been so transferred or where a new claim has been brought in a local court or tribunal subsequent to the dismissal of the claim pursuant to subparagraph 1.g above, the Palestinian Authority shall defend it and, in accordance with subparagraph 1.a above, in the event that an award is made for the plaintiff, shall pay the amount of the award.
  - i. The Legal Subcommittee referred to in subparagraph 1.g above shall agree on arrangements for the transfer of proceedings from Israeli courts or tribunals pursuant to subparagraph 1.g above and, where necessary, for the provision of legal assistance by Israel to the Palestinian Authority in defending such claims.
2. In accordance with paragraph 1 above:
- a. The Palestinian Authority may bring legal proceedings in respect of any acts or omissions relating to powers and responsibilities transferred under this Agreement which occurred prior to the date of the transfer. Israel shall provide the Palestinian Authority with the legal assistance necessary to bring such proceedings.
  - b. The Palestinian Authority may collect any taxes due under Annexes V and VI on the date of the transfer of powers and responsibilities in respect of

these taxes, and shall assume responsibility for the payment of any rebates or refunds.

3. Subject to the provisions of this Article, the transfer of powers and responsibilities in itself shall not affect rights, liabilities and obligations of any person or legal entity, in existence at the date of signing of this Agreement.

#### **Article X : Liaison and Coordination**

1. The Joint Civil Affairs Coordination and Cooperation Committee established in accordance with the Gaza-Jericho Agreement, (hereinafter "the CAC"), will deal with all issues of mutual concern regarding this Agreement.
2. The operation of the CAC shall not impede daily contacts between representatives of the Civil Administration and the Palestinian Authority in all matters of mutual concern.

#### **Article XI : Budgetary Issues**

1. The military government and its Civil Administration shall provide the Palestinian Authority with full information concerning the budget of each Sphere.
2. The Palestinian Authority shall immediately employ personnel who will promptly begin the process of becoming acquainted with the current budget issues. On the date of the transfer of powers and responsibilities in each of the Spheres, these personnel will assume responsibility for all accounts, assets and records on behalf of the Palestinian Authority.
3. Israel shall continue to provide the services of Israeli experts currently employed in the fields of income tax and VAT to ensure a smooth transition and efficient establishment of the taxation system of the Palestinian Authority. The terms of their employment shall be agreed upon by the two sides.
4. The Palestinian Authority will do its utmost to establish its revenue collection system immediately with the intent of collecting direct taxes and VAT.
5. The two sides will jointly approach the donor countries during the upcoming meetings of the Consultative Group and of the Ad Hoc Liaison Committee, scheduled for September 8 through 10, 1994 in Paris, with a request to finance the shortfall that may be created in the collection of the direct taxes and the VAT during the initial period while the Palestinian Authority establishes its own revenue collection system.
6. The two sides will meet no later than three days after the conclusion of these meetings in order to decide on the date of transfer of powers and responsibilities in the remaining Spheres, based, among other things, on the response of the donor countries to the joint request.
7. The CAC will provide the donor countries, when necessary, with information to help adjust the allocation of contributions as a result of variations in tax collection.

8. The Palestinian Authority shall also assume full responsibility for any additional expenditures beyond the agreed budget which is attached as Schedule 1, as well as for any shortfall in tax collection that is not actually covered by the donor countries.
8. If actual revenues from the Spheres, including the donor contributions, exceed the budgeted revenues, the excess shall be applied to development of the Spheres.
9. The inclusion of the sphere of VAT in the spheres to be transferred to the Palestinian Authority shall constitute the adjustment referred to in paragraph (3) of the Agreed Minute to Article VI(2) of the Declaration of Principles, and no further adjustment shall be required.

#### **Article XII : Mutual Contribution to Peace and Reconciliation**

With regard to each of the Spheres, Israel and the Palestinian Authority will ensure that their respective systems contribute to the peace between the Israeli and Palestinian peoples and to peace in the entire region, and will refrain from the introduction of any motifs that could adversely affect the process of reconciliation.

#### **Article XIII : Final Clauses**

1. This Agreement shall enter into force on the date of its signing.
2. The arrangements established by this Agreement are preparatory measures and shall remain in force until and to the extent superseded by the Interim Agreement or by any other agreement between the Parties.
3. Nothing in this Agreement shall prejudice or preempt the outcome of the negotiations on the Interim Agreement or on the permanent status to be conducted pursuant to the Declaration of Principles. Neither Party shall be deemed, by virtue of having entered into this Agreement, to have renounced or waived any of its existing rights, claims or positions.
4. The two Parties view the West Bank and the Gaza Strip as a single territorial unit, the integrity of which will be preserved during the interim period.
5. The Gaza Strip and the Jericho Area shall continue to be an integral part of the West Bank and the Gaza Strip. The status of the West Bank shall not be changed for the period of this Agreement. Nothing in this Agreement shall be considered to change this status.
6. The Preamble to this Agreement and the Annexes, Appendices and Schedules attached hereto, shall constitute an integral part hereof.

*Done at Erez this twenty-ninth day of August 1994*

***Gen. Danny Rothchild***  
*For the Government of the*  
*State of Israel*

***Dr. Nabil Sha'ath***  
*For the PLO*

**Schedule 1**  
Six-month Budget for the Spheres

	\$ Million
1. Total Expenditures	54.58
Education and Culture	26.2
Health	18.7
Social Welfare	4.3
Tourism	0.075
Direct Taxes	2.3
VAT	3.0
	\$ Million
2. Total Revenues	54.58
Income Tax	23.15
VAT	22.15
Property Tax	0.215
Health Insurance	9.06

## **Annex I**

### **Protocol Concerning Preparatory Transfer of Powers and Responsibilities in the Sphere of Education and Culture**

1. The powers and responsibilities of the military government and its Civil Administration in the sphere of education and culture will be transferred to and will be assumed by the Palestinian Authority.
2. The sphere of education and culture shall include all matters dealt with in the laws, regulations and military orders listed in Appendix A, as well as the responsibility over higher education, special education, cultural and educational training activities, cultural and educational institutions and programs, and private, public, non-governmental or other educational or cultural activities or institutions.

## **Appendix A**

### **Laws, Regulations and Military Orders in the Sphere of Education and Culture**

1. Education Law, No. 16, 1964
2. Regulations regarding the Structure of the Ministry of Education and Culture, No. 21, 1965
3. Regulations regarding the Collection of Contributions in Schools, No. 22, 1965
4. Regulations regarding the Structure of Managers' Offices in the Districts and Regions, No. 24, 1965
5. Regulations regarding Licensing of Teaching, No. 23, 1965
6. Regulations regarding Scientific Delegations, No. 155, 1966
7. Regulations regarding Grants for Educational Programs and Textbooks, No. 1, 1965
8. Regulations regarding the Appointment of Women Teachers, No. 2, 1965
9. Regulations regarding Needy Heirs of Education and Culture Employees, No. 57, 1960
10. Regulations regarding the Jordanian Committee for Arabization, Translation and Publishing, No. 11, 1967
11. Regulations regarding Private Educational Institutions, No. 27, 1966
12. Regulations regarding Adult Education and the Elimination of Illiteracy, No. 120, 1965
13. Regulations regarding Cultural Centers, No. 28, 1966

14. Regulations regarding the Jordanian Scientific Research Council, No. 53, 1964
15. Regulations regarding the Nationalization of Textbooks, No. 4, 1956
16. Regulations regarding the Education Tax, No. 1, 1956
17. Regulations regarding the Financing of Examinations and Certificates of High Schools and Secondary Education, No. 39, 1967
18. Order regarding the Education Law No. 16 of 1964 (Amendment No. 2) (Judea and Samaria), No. 1076, 1983
19. Order regarding the Use of Textbooks (Judea and Samaria) (Amendment), No. 183, 1967
20. Regulations regarding General Examination Fees in the Teachers' Colleges, 1991
21. Directives regarding Success, Completion and Failure in Schools, No. 1, 1965
22. Directives regarding General Matriculation Examinations, No. 2, 1965
23. Order regarding Education Tax (Judea and Samaria), No. 501, 1972
24. Civil Service Regulations, No. 23, 1966, including Amendments Nos. 14, 28, 61 and 92
25. Regulations for Dispatch of Scientific Delegations, No. 115, 1966, including Amendments Nos. 16 and 43
26. Regulations regarding Employee Pensions and Social Insurance, No. 6, 1966, including Amendments Nos. 116 and 183
27. Financial Regulations, No. 1, 1951
28. Requisition Regulations, No. 87, 1965
29. Regulations regarding Employees Commuting to and from Work, No 18, 1967, including Amendment No. 73
30. Regulations regarding the Provision of Honors for Employees, No. 9, 1966
31. Regulations regarding Issuing Certificates and Diplomas, No. 15, 1966
32. Regulations regarding Graduation Examinations, No. 17, 1966, including Amendment No. 71
33. Regulations regarding Placement of Administrative employees, No. 1, 1966
34. Regulations regarding the Provision of Student Services, No. 58, 1964

35. Regulation regarding the Provision of Assistance to Students, No 5, 1960, including Amendment No. 25
36. Regulations regarding the Scouts Youth Movement, No. 1, 1957
37. Regulations regarding Summer Seminars, No. 34, 1960
38. Regulations regarding the Leasing of Properties for Government Service, No. 16, 1961, including Amendment No. 153
39. Regulations regarding the Acquisition of Books for School and College Libraries, No. 11, 1966, including amendment No. 153
40. Regulations regarding Health Insurance for Employees, No. 104, 1965
41. Regulations regarding Colleges, No. 151, 1966
42. Regulations regarding the Evaluation of Certificates, No. 110, 1966, including Amendment No. 74
43. Law regarding Student Transfer, No. 7, 1967
44. Regulations regarding Room and Board, No. 36, 1967

## **Annex II**

### **Protocol Concerning Preparatory Transfer of Powers and Responsibilities in the Sphere of Health**

1. The powers and responsibilities of the military government and its Civil Administration in the sphere of health will be transferred to and will be assumed by the Palestinian Authority.
2. The sphere of health shall include all matters dealt with in the laws, regulations and military orders listed in Appendix A, including the responsibility over all health institutions, whether private, public, non-governmental or other.
3. In exercising its security authority, the military government will do its utmost to respect the dignity of patients and medical staff and will act with a view to prevent any damage to medical installations or equipment.
4. The transfer of powers and responsibilities to the Palestinian Authority shall not affect the authority of Israel and of the Israeli military government in the West Bank to exercise its powers and responsibilities in criminal matters, such as the performance of autopsies, the investigation of narcotic offenses, etc.
5. The Palestinian Authority shall inform the Civil Administration in a routine manner of births or deaths occurring within the medical institutions under its responsibility.
6. The Palestinian Authority shall apply the present standards of vaccination of Palestinians and shall improve them according to internationally-accepted standards in the field.
7. The Palestinian Authority shall take necessary measures to ensure that the health institutions and medical staff under its responsibility inform the Civil Administration in the West Bank of any Israeli hospitalized in a Palestinian hospital upon his or her admission. Arrangements for moving such hospitalized Israelis shall be agreed upon.
8. The Palestinian Authority shall take necessary measures to ensure that the health institutions and medical personnel under its responsibility inform the Israel Police in the West Bank of any person wounded by any kind of weapon or explosive who is treated or hospitalized in a Palestinian medical institution, upon his or her admission, and of any death from unnatural causes.
9. The Palestinian Authority shall make available for transfer the corpse of any deceased from unnatural causes, for an autopsy in the Institute of Forensic Medicine, immediately upon request by the military commander.

Upon request of the Palestinian Authority, a Palestinian physician may be present at any autopsy performed, provided that the participation of the said representative shall not inordinately delay the performance of the autopsy.

The Palestinian Authority shall ensure that no prior autopsy of the corpses so transferred shall be conducted.

10. Israel and the Palestinian Authority shall exchange information regarding epidemics and contagious diseases, shall cooperate in combating them, and shall develop methods of exchange of medical files and documents.
11. The Palestinian Authority shall enter into agreements with the Israeli medical institutions on arrangements regarding complementary medical services for Palestinians in these institutions including their hospitalization in Israeli hospitals. Israel shall assist the Palestinian Authority in reaching such agreements as necessary.
12. The health systems of Israel and of the Palestinian Authority will maintain good working relations in all matters, including mutual assistance in providing first aid in cases of emergency, medical instruction, professional training and exchange of information.
13. A joint committee of experts will discuss health issues that require coordination and cooperation between the Palestinian Authority and the relevant departments of the Civil Administration, including, inter alia, the environment department.
14. A committee will be established to facilitate coordination and cooperation on health and medical issues between the Palestinian Authority and the Israeli Ministry of Health.

## **Appendix A**

### **Laws, Regulations and Military Orders in the Sphere of Health**

1. Public Health Law No. 43, 1966, except for articles 7(1), 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 69, 70, 71, 72, 73, 74, 75, 76, 77; article 10(2) but not including supervision over water sources; article 15 but only when approved by the military commander
2. Regulations regarding Supervision of Medications and their Manufacture, No. 134, 1966, only with regard to medications
3. Regulations regarding Health Insurance, No. 146, 1966
4. Regulations regarding Burial of Deceased, Cemeteries, Transfer of Bodies and Re-opening of Graves, 1981, except for articles 5, 7, 8(a), 9, 10, 11, 12, 13, 14, 15
5. Regulations regarding Public Health Supervision of Radiation Equipment for Medical Treatment, 1981
6. Pharmacologists' Bureau Law, No. 10, 1957
7. Order regarding the Pharmacologists' Bureau Law, No. 10, 1957, (Amendment), No. 1053, 1983

8. Internal Regulations of the Pharmacologists' Bureau, 1961, as amended 1980
9. Order regarding Medical and Sanitation Professions (Licensing and Practice), No. 745, 1978
10. Medical Association Law, No. 14, 1954
11. Dental Association Law, No. 11, 1956
12. Internal Regulations of the Dental Association, 1960
13. Order regarding Health Services, No. 746, 1978
14. Order regarding Notification of Casualties, No. 163, 1967
15. Regulation regarding Health Services, 1978
16. Notification regarding Health Services, Program of Health Services and Payment for Health Services, 1981
17. Order regarding Dangerous Drugs, No. 558, 1973
18. Order regarding Cosmetics, No. 1103, 1983
19. Regulations regarding Cosmetics (Fees), 1984

## **Annex III**

### **Protocol Concerning Preparatory Transfer of Powers and Responsibilities in the Sphere of Social Welfare**

1. The powers and responsibilities of the military government and its Civil Administration in the sphere of social welfare will be transferred to and will be assumed by the Palestinian Authority.
2. The sphere of social welfare shall include all matters dealt with in the laws, regulations and military orders listed in Appendix A, as well as responsibility over governmental and non-governmental organizations and institutions, including charitable societies and institutions and voluntary and non-profit organizations.
3. The Palestinian Authority will supervise registered foreign organizations of the type mentioned in paragraph 2 above, that currently operate in the West Bank and will register others only if their goals are not inconsistent with the peace process.
4. The transfer of powers and responsibilities to the Palestinian Authority shall not affect the continued authority of the military government and its Civil Administration to exercise their powers and responsibilities for security and public order as well as for other spheres not transferred, including, inter alia, the establishment of a vice squad.
5. The Palestinian Authority may exercise the Regulation on Welfare Insurance for Civil Servants (No. 6 of 1966) with regard to its employees.

6. Juvenile Offenders:

Israel and the Palestinian Authority will determine arrangements for the following:

- a. The serving of sentences in the West Bank passed by courts in Israel concerning juvenile offenders, residents of the West Bank.
- b. The transfer of information necessary for the preparation of briefs by probation officers in connection with juvenile offenses.

7. Confidentiality:

Arrangements will be made to protect confidentiality and individual privacy in the exchange of information between Israel and the Palestinian Authority in the sphere of social welfare.

8. The respective social welfare systems of Israel and the Palestinian Authority will maintain a positive working relationship in all aspects, including general and professional training, and the exchange of information.

## **Appendix A**

### **Laws, Regulations and Military Orders in the Sphere of Social Welfare**

1. Bureau of Social Affairs Law, No. 14, 1956
2. Social Assistance Regulations, No. 14, 1959
3. Regulations regarding Assistance to Youth, No. 48, 1959
4. Amended Law regarding Assistance to Youth, No. 16, 1954
5. Regulations regarding the Collection of Charitable Donations, No. 1, 1957
6. Regulations regarding the Collection of Charitable Donations, No. 103, 1963
7. Regulations regarding Assistance to University Students, No. 5, 1960, except for Articles 5 and 6
8. Regulations regarding Assistance and Rehabilitation, No. 42, 1963
9. Law regarding Charitable Societies and Social Welfare Institutions, No. 33, 1966
10. Jordanian Regulations regarding Social Services Institutions, No. 128, 1965
11. Regulations regarding Foster Families, No. 70, 1963

## **Annex IV**

### **Protocol Concerning Preparatory Transfer of Powers and Responsibilities in the Sphere of Tourism**

1. The powers and responsibilities of the military government and its Civil Administration in the sphere of tourism will be transferred to and will be assumed by the Palestinian Authority.
2. The sphere of tourism shall include all matters dealt with in the laws, regulations and military orders listed in Appendix A.

This includes the responsibility for regulating, licensing, grading, supervising and developing the tourist industry and its services within the scope of such terms in the laws, regulations and military orders listed in Appendix A, as well as maintaining and promoting foreign and domestic tourism, developing visitors' interest in tourist sites and encouraging the development of tourist services around them in coordination with the Civil Administration, or if the site is under the responsibility of another authority - in coordination with that other authority. It also includes organizing exhibitions, popular and cultural festivals and events and tourism conferences.

This sphere shall cover tourism activities conducted by private, public, non-governmental and foreign bodies.

3. In exercising its security authorities, the military government will take into account tourism considerations with the objective of minimizing any harmful effect on the industry or any consequences that may prejudice its productivity and continued development.
4. The military government and its Civil Administration will assist and support the Palestinian Authority in developing the tourism industry, promoting the expansion of tourist facilities such as hotels, restaurants and travel agencies, and in removing obstacles that may hinder the growth of the industry.
5. The transfer of powers and responsibilities to the Palestinian Authority shall not affect the continued authority of the military government and its Civil Administration to exercise their powers and responsibilities for security and public order as well as for other spheres, including the sites referred to in paragraph 2 above, authority over which has not been transferred.
6. The tourism authorities of Israel and the Palestinian Authority shall promote and encourage tourism to the region for the benefit of both sides.
7.
  - a. Travel agents, tour companies, tour guides and other tourism businesses (hereinafter "tourism entities") authorized by the Palestinian Authority will be allowed to conduct tours that include Israel, provided that their authorization as well as their operation is in accordance with rules,

professional requirements and standards agreed upon in the subcommittee on tourism of the JEC.

- b. Pending that agreement, existing tourism entities in the West Bank that are currently allowed to conduct tours that include Israel, will be allowed to continue to do so.
8. Tour buses or any other forms of tourist transport authorized by the Palestinian Authority, and operated by companies registered and licensed by it, will be allowed to enter and proceed on their tour in Israel if such buses or other vehicles conform with the standards currently in effect in the West Bank and provided that they conform with international standards that have been adopted. All such vehicles will be clearly marked as tourist vehicles.
9. Tourism companies and agencies licensed by the Palestinian Authority shall enjoy equal access to tourism-related facilities and amenities in border points of exit and entry according to the regulations of the Israeli authorities.
10. A joint committee will be established between Israel and the Palestinian Authority to facilitate coordination and cooperation on tourism issues, including the promotion of tourism.

## **Appendix A**

### **Laws, Regulations and Military Orders in the Sphere of Tourism**

1. Temporary Tourism Law, No. 45, 1965, except for articles 2(4)E, 4(1), 4(5), 7(2), 7(3), 14(3) article 2(5) except for provisions regarding Tourism Regions
2. Regulations regarding Equipment and Promotional Services and Constructive Activities of the Tourism Authority, No. 44, 1966
3. Financial Regulations of the Tourism Authority, No. 45, 1966
4. Tourism and Travel Agency Regulations, No. 46, 1966
5. Regulations regarding Commercial Oriental Souvenir Emporiums, No. 47, 1966
6. Regulations regarding Commercial Oriental Souvenir Emporiums, (Amendment No. 6) (Judea and Samaria), 1988
7. Regulations regarding Tour Guides and their Supervision, No. 48, 1966
8. Regulations regarding Guest Houses and their Supervision, No. 49, 1966
9. Order regarding Temporary Law for Tourism, No. 45, 1965 (Judea and Samaria), No. 917, 1981
10. Regulations regarding Tourism and Travel Agencies (Amendments 1-4) (Judea and Samaria), 1976

11. Regulations regarding Commercial Oriental Souvenir Emporiums (Amendment No. 3) (Judea and Samaria), 1982
12. Regulations regarding Commercial Oriental Souvenir Emporiums (Amendments 1-6), 1976, 1980, 1987, 1988
13. Regulations regarding Tour Guides and their Supervision (Amendment No. 5) (Judea and Samaria), 1988
14. Regulations regarding the Prohibition on Acceptance of Commissions by Tour Guides, 1976
15. Decision regarding Escorting Tourists as a Branch of Tourism (Judea and Samaria), 1982
16. Regulations regarding Guest Houses and their Supervision (Amendments 3 and 4), 1988, 1990
17. Instructions regarding Guest Houses and their Supervision (Minimal Standards for Ungraded Hotels) (Judea and Samaria), 1975
18. Instructions regarding Guest Houses and their Supervision (Principles of Hotel Grading) (Judea and Samaria), 1976
19. Instructions regarding Guest Houses and their Supervision (Offering Drinking Water and Citrus Fruits during Meals) (Judea and Samaria), 1985
20. Regulations regarding Tourism Offices (Judea and Samaria), 1989
21. Regulations regarding Licensed Tourist Emporiums (Judea and Samaria), 1977

## **Annex V**

### **Protocol Concerning Preparatory Transfer of Powers and Responsibilities in the Sphere of Direct Taxation**

1. The powers and responsibilities of the Civil Administration in the sphere of direct taxation regarding income tax on income accrued or derived in the West Bank will be transferred to and will be assumed by the Palestinian Authority. Powers and responsibilities regarding property tax will continue to be exercised by the Civil Administration, though the income from this tax will be transferred to the Palestinian Authority, after deducting the sums due to the municipalities.
2. The sphere of direct taxation shall include all matters dealt with in the laws, regulations and military orders listed in Appendix A, subject to the principles set forth below.
3. Without derogating from the principle of territoriality in taxation, i.e., the right of each tax administration to levy the income tax on income generated by economic activity in its area, and in accordance with the Declaration of Principles and with the Gaza-Jericho Agreement:
  - a. The Palestinian Authority will levy and collect income tax on Palestinians in respect of income accrued or derived in the West Bank outside the settlements and the military locations.
  - b.
    1. The Civil Administration will levy and collect income tax on Israelis in respect of income accrued or derived in the West Bank outside the settlements and the military locations by any business or service which accrues or derives an annual turnover in the West Bank outside the settlements and military locations exceeding \$7,000 US.
    2. The tax will be levied in accordance with the Palestinian tax code in force in the West Bank.
    3. The Civil Administration will remit the tax collected to the Palestinian Authority.
    4. For the purpose of subparagraph 3(b)(1) above and paragraph 5 below, changes in the legislation regarding the definition of "accrued or derived" income shall be made in the subcommittee established under paragraph 9.
    5. In the event of disagreement regarding the implementation of this paragraph when the Palestinian Authority considers that a business or service should be taxed under this subparagraph, it may refer the matter to the above mentioned subcommittee.
- 4.

- a. For the purpose of this Annex, and for the purpose of the application of Appendix B to this Annex -
    1. A corporation will be regarded as either a Palestinian or an Israeli if the majority of its shares which grant rights to distribution of profits are held by Palestinians or by Israelis, respectively.
    2. For the purpose of subparagraph a. above, shares held by foreigners will be considered as shares held by Palestinians, except with regard to corporations operating within the settlements and military locations.
  - b. Income accruing to a partnership or derived by it will be attributed to its partners in accordance with their respective rights to profits and taxed in accordance with the provisions of this Annex.
  - c. With regard to corporations in which Israelis and Palestinians hold shares granting equal rights to distribution of profits, corporation tax will be levied equally on each shareholder by the relevant tax authority, in accordance with the principles of this Annex.
5. In the case of income accrued or derived by a foreigner, outside the settlements and the military locations, income tax will be levied and collected by the Palestinian Authority.
- 6.
- a. When an Israeli, including the military government and its Civil Administration, remits payment to a Palestinian and the payment is income taxable by the Palestinian Authority, the Israeli will deduct tax at source in accordance with the rules of the Palestinian tax code regarding the deduction at source by Palestinian payors and transfer it to the Civil Administration.
  - b. All activity relating to the assessment and collection of such deductions will be carried out by the Civil Administration or by Israel.
  - c. The Civil Administration will transfer such deductions to the Palestinian Authority in a manner to be agreed upon.
  - d. Procedures for implementation of the above mentioned arrangement for deduction at source will be determined by the Joint Economic Committee established under the Gaza-Jericho Agreement.
  - e. Pending the determination of the above mentioned procedures:
    1. the present system of tax deduction at source from wages and salaries will continue to apply with regard to payments to Palestinian employees; and
    2. until 31 December, 1994, tax will be deducted at source at the rate of 5% from other payments to Palestinians referred to in subparagraph a. above, subject to existing certificates concerning the reduction of deduction at

source which shall continue to remain in force notwithstanding their initial date of expiration.

As of January 1, 1995, deduction at source from such payments will be effected only on the basis of the procedures to be agreed upon.

7.
  - a. When a Palestinian remits payment to an Israeli, there will be no tax deduction at source.
  - b. The Palestinian Authority may transfer to the Civil Administration information regarding such payments where it considers that the income of the Israeli falls under paragraph 3(b) above, in order to assist the Civil Administration in levying tax on such income.
  - c. The Civil Administration will transfer to the Palestinian Authority, on a bimonthly basis, the sums collected from Israelis as advance payments in respect of taxes to be collected by the Civil Administration under paragraph 3(b) above. Each tax year there will be a settling of accounts between the Civil Administration and the Palestinian Authority with regard to the final tax collected according to paragraph 3(b), taking into account the aforementioned advance payments and any necessary resultant tax refunds.
  - d. Foreigners who are subject to income tax levied by the Palestinian Authority will deduct tax at source in the same manner as Palestinians.
8. Until the Interim Agreement enters into force, Israel will transfer to the Palestinian Authority a sum equal to 75% of the income taxes collected by Israel from Palestinians employed in the settlements and military locations and in Israel.
9. The two sides will establish a joint committee composed of representatives of both tax authorities. This committee will discuss cases where one side wishes to tax businesses or services subject to the tax authority of the other side as well as cases where it is not clear by which side tax should be levied and all cases concerning double taxation.
10. Tax enforcement by the Palestinian Authority shall be in accordance with the principles set out in attached Appendix B.

## **Appendix A**

### **Laws, Regulations and Military Orders in the Sphere of Direct Taxation**

1. Income Tax Law, No. 25, 1964, except article 74(1), and as follows (article numbers relate to Hebrew version):
  - 28(a)(4)-(5) - will apply to civil examinations (not to criminal investigations);
  - 29b, 34a(a)(2), 34a(d), 49(3), 54(3), 57, 63(c)-(d), 64, 66(4) - will be subject to the principles regarding tax enforcement;

44(1) - will not apply to the military government, the Civil Administration and their employees;

21, 62, 63(c), Chapter 16 - will be subject to the principles regarding the tax enforcement;

2. Regulations regarding Depreciation for Income Tax Purposes, No. 15, 1965
3. Regulations regarding Income Tax Deductions at Source from Salaries, No. 16, 1965
4. Regulations regarding Income Tax (Bookkeeping), 1988 (which adopted the regulations regarding Bookkeeping, 1985)
5. Regulations regarding Income Tax (Forms Required for Deductions at Source), 1987
6. Regulations regarding Income Tax (Determining Payments for Services or Goods and for Contracting as an Income), 1978
7. Regulations regarding Income Tax (Deduction at Source from Payments for Services or Goods and for Contracting), 1978
8. Regulations regarding Income Tax (Determining Payments for Construction Work and Shipping as an Income), 1986
9. Order regarding Encouragement of Capital Investment, No. 1342, 1991 - with regard to income tax exemptions; except for articles 26, 27 and 28 29 and 30 - will be subject to the principles regarding tax enforcement

## **Appendix B**

### **Tax Enforcement**

1. With regard to tax enforcement, the Palestinian Authority shall have the powers and responsibilities set out in this Appendix, except in relation to criminal offenses.
2. Gathering of Information

Concerning gathering of information, the Palestinian Authority shall be authorized to:

- a. demand and seize documents, information and other relevant financial records from the assessee and any relevant third party.
- b. require the appearance of any person at the taxation authorities' offices in the West Bank and require that person to provide all relevant reports and documents; and

- c. enter any permanent place of business or residence of any person being assessed.

### 3. Tax Collection

For the purpose of tax collection, the Palestinian Authority shall be authorized to take the following measures:

- a. attachments not relating to immovable property effected by the service of documents without requiring any physical action, such as bank accounts;
- b. attachment of monies and chattels in the debtor's permanent place of business or residence only;
- c. public auctions of the attached property or assets;
- d. requests from the local courts in the West Bank to issue restraining orders prohibiting the debtor to travel abroad; and
- e. requests from the local courts in the West Bank to issue civil imprisonment orders against tax defaulters.

### 4. Appeals Proceedings

The Palestinian Authority may establish a tax court in the West Bank for the purpose of hearing appeals with regard to assessments and bookkeeping. The details of this tax court shall be agreed in the CAC. Until the establishment of this tax court, such appeals shall continue to be heard by the local courts.

### 5. Scope

- a. The Palestinian Authority shall not be authorized to take any enforcement measures against Israelis.
- b. The Palestinian Authority shall not have the power to exercise enforcement measures affecting, directly or indirectly, the military government or its Civil Administration. The two sides will agree upon the mode and procedures regarding enforcement measures that require the cooperation of the military government and its Civil Administration, with a view to assisting the Palestinian Authority in carrying out its enforcement measures, subject to considerations of security and public order.
- c. The use of force required for the exercise of tax enforcement measures shall be effected only by the Israeli authorities. Israel shall provide the Palestinian Authority with the necessary assistance in this regard.
- d. The enforcement measures set out in this Appendix shall be exercised by the Palestinian Authority solely for tax collection and shall not be exercised for any other purpose.

### 6. Cooperation and Exchange of Information

Israel and the Palestinian Authority shall cooperate, including by exchanging information, to assist each other in the exercise of their powers and responsibilities with regard to tax enforcement.

#### 7. Legislation Regarding Tax Enforcement

Subject to the principles set out in this Appendix, the Palestinian Authority is authorized, in addition to the measures included in the legislation set out in Appendix A, to take tax enforcement measures included in the following legislation:

- a. Law regarding Collection of Public Monies, No. 6, 1952, except for articles 10, 11, 12A (appeals will be brought before the local courts), 14, 16(A) (with regard to payments owed by the Palestinian Authority)
- b. Order regarding Amendment of the Collection of Public Monies Law, No. 113, 1967
- c. Rules regarding Collection of Public Monies, 1988, except for articles 4(b)-(c), 22, 23
- d. Rules regarding Collection of Public Monies (Imprisonment of a Debtor), 1991
- e. Order regarding Taxes (Fine for Late Payment), No. 1296, 1990
- f. Order regarding Rounding Off of Sums, No. 1164, 1986
- g. Order regarding Tax Collection (Auxiliary Authorities) (Temporary Order), No. 1262, 1989 - with regard to permits and services provided by the Palestinian Authority

## **Annex VI**

### **Protocol Concerning Preparatory Transfer of Powers and Responsibilities in the Sphere of VAT on Local Production**

1. The powers and responsibilities of the Civil Administration in the sphere of VAT on local production in the West Bank will be transferred to and will be assumed by the Palestinian Authority.
2. For the purpose of this Annex the term "VAT" shall refer to Value Added Tax on local production imposed on the sale of assets and the provision of services by dealers.
3. The sphere of VAT shall include all matters dealt with in the laws, regulations and military orders listed in Appendix A, subject to the principles set forth in this Annex.
4. In accordance with Protocol IV of the Gaza - Jericho Agreement, while the prevailing system and principles of VAT in the West Bank will continue to apply, the Palestinian VAT rate shall not be lower than 15% to 16% and the maximum annual turnover for dealers to be exempt from VAT will be decided by the Palestinian Authority, within an upper limit of 12,000 US dollars.
5. Subject to paragraph 6 below, each side will register for VAT purposes dealers who are subject to its powers and responsibilities, notwithstanding the place of their activity.
6.
  - a. Ongoing permanent businesses will register for VAT purposes with the VAT administration of the side exercising powers and responsibilities in the place in which they are situated.
  - b. Notwithstanding subparagraph 6.a, ongoing permanent Israeli businesses situated outside the settlements and military locations will be registered for VAT purposes with the Civil Administration. The rules of Palestinian VAT legislation will apply to these businesses. The Civil Administration will transfer to the Palestinian Authority the net VAT collected from these businesses, after deduction of their refunds.
7. For the purpose of this Annex, and for the purpose of the application of Appendix B of Annex V to this Annex pursuant to paragraph 17 below -
  - a. A corporation will be regarded as either a Palestinian or an Israeli if the majority of its shares which grant rights to distribution of profits are held by Palestinians or by Israelis, respectively.
  - b. For the purpose of subparagraph a. above, shares held by foreigners will be considered as shares held by Palestinians, except with regard to corporations operating within the settlements and military locations.

- c. The above mentioned principle regarding corporations will apply to partnerships, with the necessary adjustments.
  - d. The registration for VAT purposes of corporations and partnerships in which Israelis and Palestinians hold equal rights to distribution of profits, will be according to the place of registration of the corporation or the partnership. Each side may bring such cases for discussion before the joint committee referred to in paragraph 16 below, if it considers that the place of registration for VAT purposes should be different.
8. Foreign dealers will be registered for VAT purposes in accordance with their place of activity.
  9. The VAT levied on dealers registered for VAT purposes will accrue to the VAT administration with which the dealer is registered and the tax code of that side will apply.
  10. The principles set out in paragraphs 1-9 and 16-17 of this Annex shall also apply to wage-and-profit tax on financial institutions.
  11. There will be clearance of VAT revenues between Israel and the Palestinian Authority according to the following principles:
    - a. The VAT clearance will apply to VAT on transactions between dealers registered with different VAT administrations. For the purpose of this paragraph, dealers registered with the Civil Administration shall be considered to be registered with the Palestinian Authority.
    - b. The following procedures will apply to clearance of VAT revenues accruing from transactions by dealers registered for VAT purposes:
      1. To be acceptable for clearance purposes, special invoices, clearly marked for this purpose, will be used for transactions between dealers registered by the different sides.
      2. These invoices will be worded either in both Hebrew and Arabic or in English and will be filled out in any of these three languages, provided that the figures are written in "Arabic" (not Hindi) numerals and that the amounts filled out in the invoice are stated also in NIS.
      3. For the purposes of tax rebates, such invoices will be valid for six months from their date of issue.
      4. Representatives of the two sides will meet once a month, on the twentieth day of the month, to present each other with a list of invoices submitted to them for tax rebate, for VAT clearance. This list will include the following details regarding each invoice:
        - a. the number of the registered dealer issuing it;
        - b. the name of the registered dealer issuing it;

- c. the number of the invoice;
  - d. the date of issue;
  - e. the amount of the invoice - with a separate reference to the amount of VAT, specified both numerically and in words; and
  - f. the name and the VAT registration number of the recipient of the invoice.
5. The clearance claims will be settled within six days from the meeting, through a payment by the side with the net balance of claims against it, to the other side.
  6. Each side will provide the other side, upon request, with invoices for verification purposes. Each tax administration will be responsible for providing invoices for verification purposes for six months after receiving them.
  7. Each side will take the necessary measures to verify the authenticity of the invoices presented to it for clearance by the other side.
  8. Claims for VAT clearance which will not be found valid will be deducted from the next clearance payment.
  9. Once an interconnected computer system for tax rebates to dealers and for VAT clearance between the two sides is operational, it will replace the clearance procedures specified in subparagraphs (4) and (5) above.
  10. The two tax administrations will exchange lists of the dealers registered by them and will provide each other with the necessary documentation, if requested, for the verification of transactions.
  11. The subcommittee established under Article VI paragraph 5 of Annex IV of the Gaza - Jericho Agreement will deal with the implementation of the provisions of this paragraph.
12. Pending the Interim Agreement, the following provisions shall apply with regard to VAT on imports:
    - a. In addition to the clearance described in paragraph 11 above, VAT on imports paid by dealers registered with the Palestinian Authority who deduct input tax on such imports shall be remitted to the Palestinian Authority.
    - b. The clearance shall be effected in the framework of the monthly settlement referred to in paragraph 10 above. For this purpose, the Palestinian Authority shall provide Israel with a list containing the following details.
      1. the VAT registration number of each dealer;
      2. the number of each import entry document; and

3. the VAT amount included in each import entry document.
  - c. The Palestinian Authority shall verify and confirm that the list referred to in subparagraph (b) does not include imports the final destination of which is the Gaza Strip or the Jericho Area. The remittance of VAT payments in respect of these imports shall continue to be in accordance with the Gaza-Jericho Agreement.
13. VAT paid on transactions with dealers registered with Israel by not-for-profit Palestinian organizations and institutions registered with the Palestinian Authority, or by the Palestinian Authority where the transaction relates to powers and responsibilities transferred under this Agreement, will be remitted to the Palestinian Authority in accordance with the clearance system set out in paragraph 11. The same principle will apply to VAT paid on such transactions by Palestinian local authorities, once the powers and responsibilities regarding them are transferred to the Palestinian Authority.
  14. VAT paid on transactions with dealers registered with the Palestinian Authority by not-for-profit Israeli organizations and institutions, by Israeli local authorities, or by Israel, will be remitted to Israel in accordance with the clearance system set out in paragraph 11.
  15. Where the zero VAT rate on transactions by dealers registered with the Palestinian Authority is conditional upon the submission of proof by the dealer that foreign currency has been deposited with a financial institution, the deposit will be made in a financial institution operating in the West Bank. The definition of foreign currency for the purposes of this paragraph may be determined within the JEC.
  16. The two sides will establish a joint committee composed of representatives of both VAT administrations. This committee will deal with all issues requiring coordination and cooperation with regard to this Annex.
  17. VAT enforcement by the Palestinian Authority shall be in accordance with the principles set out in Appendix B attached to Annex V.

## **Appendix A**

### **Laws, Regulations and Military Orders in the Sphere of VAT**

1. Law of Excise on Local Production, No. 16, 1963, except for the following articles (Hebrew Version): 2(A), 2(B), 2(E), 3, 6A(2), 6A(5), 6A(6), 6A(8) 6A(7) - will be subject to principles regarding the tax enforcement
2. Regulations Regarding Excise on Local Production (Judea and Samaria), 1985, except for the following articles (Hebrew Version): 2, 33, 118, 137, 147, 127 31(A)1, will not apply in relation to authorizing use of "other document" 53 (B), 70, 85, 86, 87A, 89, 92, 94, 103, 116, 116A(D)-(E), 117, 119(D), 129(C), 139(B) - will be subject to the principles regarding tax enforcement

35(A)2, 35(A)3, 112, 115A, 116A(C), 119, Chapter 16, 139(A) - will be subject to principles regarding tax enforcement

3. Regulations regarding Bookkeeping (Judea and Samaria), 1985
4. Notification regarding Excise on Local Production (designating Egypt as bordering country) (Judea and Samaria), 1987

*Source: Israel Ministry of Foreign Affairs,*

<http://www.israel.org/MFA/Peace%20Process/Guide%20to%20the%20Peace%20Process/Agreement%20on%20Preparatory%20Transfer%20of%20Powers%20and%20Re>

*and The Avalon Project at Yale Law School,*

<http://www.yale.edu/lawweb/avalon/mideast/mideast.htm#1990>