



Palestinian National Authority

The Amendment of the Promotion of Investment in Palestine

Law No. (1) of 1998



هيئة تشجيع الاستثمار الفلسطينية
Palestinian Investment Promotion Agency

**Presidential Decree No. (2) for the year 2011
On the amendment of the Promotion of
Investment in Palestine Law No. (1) of 1998**

President of the State of Palestine
Chairman of the Executive Committee of
Palestine Liberation Organization (PLO)

*President of the Palestinian National Authority
After having reviewed the Basic Law for of the
year 2003, a amended
In particular the provisions of Article (43),
And having reviewed the Palestinian Invest-
ment Promotion Law No. (1) of the year 1998, as
amended,
Based on the recommendation of the Cabinet on
(31/5/2010),
Based the powers vested in us,*

We hereby issue the following Presidential
Decree:

Article 1

The Law on the Promotion of Investment in Palestine No. (1) of 1998 is hereby amended.

Article 2

The following definitions shall be added to Article (1) of the original Law as follows:

Executive Director: The Executive Director of the Authority.

Development of an Existing Project: Actual financial expenditure to either expand, develop, modernize an existing project by adding fixed assets that results in an increase of the productive capacity of the existing project or an increase in its labor capacity.

Fixed Assets: machinery, appliances, equipment, vehicles, and supplies, tools, buildings and structures to exclusively used to develop the existing project, and may include furniture, furnishings, and supplies for touristic, educational and health projects.

Income subject to Tax: Total net income after deduction of exemptions and revolving losses and donations as stipulated in the prevailing Income Tax Law.

Customs and Duties: All customs and duties and other fees imposed pursuant to prevailing laws on the different types of fixed assets except municipal fees and taxes and value added tax.

Incentive Package Contract: A contract which grants the investor incentives and additional exemptions pursuant to a decision issued by the Board of Directors and approved by the Council of Ministers in exchange from a commitment from the investor to implement the project in accordance with the terms and conditions stipulated in the contract.

Commercial Projects: Projects whose business activity is trading in goods or commodities bought and sold in the course of regular commercial activities.

Real Estate Development Projects: The Authority will issue specific regulations for these projects.

Article 3

The definition of the Authority as stated in Article (1) of the original Law shall be changed as follows:

Authority: the Palestinian Authority on the Promotion of Investment.

Article 4

Article (4) of the original Law shall be amended as follows:

- (1) Projects in the following sectors and sub-sectors shall benefit from the exemptions and incentives stipulated in this Law:
 - (A) The industrial sector.
 - (B) The tourism sector.
 - (C) The agricultural sector.

- (D) The information technology sector.
 - (E) The health sector.
 - (F) The education sector.
 - (G) The mortgage finance companies and investments companies that are in the business of providing development-related financing and guarantees.
 - (H) Real estate development projects.
 - (I) Environmental recycling and refining projects.
 - (J) Any other sectors or subsectors approved by the Council of Ministries based on the recommendation of the Board of Directors.
- (2) Investments activities which had received Council of Ministers approval through concession contracts, shall enjoy the exemptions and incentives stipulated in this Law.

Article 5

Article (6) of the original Law shall be amended as follows:

- (1) A non Palestinian investor may invest any amount of capital, in any sector or subsector without derogating from prevailing laws.
- (2) The provisions of this Law apply to all investors equally and without discrimination on the basis of reciprocal treatment.

Article 6

Article (14) of the original Law shall be amended as follows:

A Board of Directors shall preside over the Authority consisting of seventeen members who are:

- (1) The Minister of National Economy
Chairman.
- (2) A representative from each of:
 - (A) Ministry of Finance Vice-Chairman.
 - (B) Ministry of National Economy.
 - (C) Ministry of Foreign Affairs.
 - (D) Ministry of Planning and
Development.
 - (E) Ministry of Public Workers and
Housing.
 - (F) Ministry of Tourism and Antiquities.
 - (G) Ministry of Agriculture.
 - (H) Ministry of Local Government.
 - (I) Palestinian Monetary Authority.

- (3) Seven representatives from the Palestinian private sector who shall plan an independent role, as follows:
- (A) A representative from the Union of the Chambers of Commerce, Industry and Agriculture.
 - (B) A representative of the General Union of Palestinian Industries.
 - (C) A representative of the Union of Businessmen.
 - (D) A representative of the Board of Directors of the Palestinian Trade Development Centre.
 - (E) A representative of the Union of Information Technology Companies.
 - (F) A representative of the tourism private sector.
 - (G) A representative of the Palestinian Federation of Contractors.

Article 7

- (1) Oversee the assessment and preparation of the investment policies in accordance with national strategic plans.
- (2) Recommend the contracts for the incentive package to be granted by the Authority to the Council of Ministers for prior-approval.
- (3) Issue approval for investments in Palestine.
- (4) Approve the organizational structure and operating system of the Authority including employee administrative and financial systems and submit them to the Council of Ministers for approval.

- (5) Supervise the implementation of this Law and submit proposals and recommendations for future amendments to the Council of Ministers.
- (6) Review laws and regulations that may restrict, or affect, or limit any rights or guarantees stipulated in this Law, and submit proposals and recommendations to amend them to the Council of Ministers.
- (7) Evaluate the Authority's performance, and prepare an annual report on its activities and its financial statements and submit them to the Council of Ministers.
- (8) Adopt the annual budget of the Authority and submit it to the Council of Ministers.

- (9) Supervise the preparation of an investment opportunities guide and update it annually.
- (10) Supervise the creation of an investment registry and maintain it.
- (11) Adopt plans and programs that contribute to creating an appropriate investment environment.
- (12) Create a one stop investment shop to be responsible for licensing investment projects, and obtaining other necessary approvals from the relevant official bodies in accordance with prevailing laws. In the event that relevant ministries and other official bodies do not grant approval within 30 days of the submission of the application by an investor, the Board of the Authority may issue a license for the project.

- (13) Supervise funds granted to the Authority and decide on spending modalities.
- (14) Submit recommendations to the Council of Ministers to amendment of laws and regulations in order to facilitate the registration and licensing of investments leading to the reduction of bureaucratic procedures and red-tape.
- (15) Develop activities and promotional materials designed to attract investment in Palestine.
- (16) Oversee programs designed to provide support to existing projects and work on resolving obstacles that face these projects and impact their activities and productivity.

Article 8

Article (17) of the original Law shall be amended as follows:

- (1) The Authority will have an Executive Director appointed by a decision of the Council of Ministers upon the recommendation of the Board of Directors.
- (2) The Executive Director shall have the following powers and functions:
 - (A) Implement the policies set by the Board of Directors.
 - (B) Plan the daily activities of the Authority and oversee implementation.
 - (C) Provide regular reporting to the Board of Directors about the operation and performance of the Authority.

- (D) Participate in activities aimed at promoting investment in Palestine at the local and international levels.
- (3) The Board of Directors shall set the salary and other benefits for the Executive Director.
- (4) The Executive Director is prohibited from being a party or have any interest, directly or indirectly, in any investment project.

Article 9

Article (23) of the original Law shall be amended as follows:

- (1) The projects approved by the Authority and which have obtained the required licenses in accordance

with the Law, shall enjoy these incentives and exemptions as follows:

- (A) Any investment whose value is two hundred and fifty thousand dollars and less than one million U.S. dollars shall be granted an exemption from income tax on its taxable income for a period of seven years commencing from the beginning of the first fiscal year following the year of commencement of production or from start of its actual activities and will receive an additional term during a project's trial period.

- (B) Any investment whose value is one million dollars to five million dollars shall be granted an exemption from income tax on taxable income for a period of nine years commencing from the beginning of the first fiscal year following the year of commencement of production or from start of its actual activity; and the period falling from the start of production or activity to the beginning the first fiscal year shall be regarded a trial period for production or business and accordingly shall be deemed an additional exemption period.
- (C) Any investment whose value exceeds five million dollars shall be granted an exemption from income

tax on taxable income for a period of eleven years commencing from the beginning of the first fiscal year following the year of commencement of production or from start of its actual activity; and the period falling from the start of production or activity to the beginning the first fiscal year shall be regarded a trial period for production or business and accordingly shall be deemed an additional exemption period.

- (D) No exemption may be applied retroactively for a period that exceeds the beginning of the fiscal year preceding the fiscal year during which the exemption was granted.

- (2) Information technology companies that do not operate businesses that trade in the various kinds of electronic devices and the sale of ready-made software will receive the following exemptions:
- (A) Companies and projects that employ five local professional employees shall receive an exemption from income tax for a period of three years beginning from the date of engagement of these employees.
 - (B) Companies and projects that employ ten local professional employees shall receive an exemption from income tax for a period of seven years beginning from the date of engagement of these employees.

- (C) Companies and projects that employ twenty local professional employees shall receive and exemption from income tax for a period of nine years beginning from the date of engagement of these employees.
- (D) Companies and projects that employ thirty local professional employees shall receive and exemption from income tax for a period of ten years beginning from the date of engagement of these employees.
- (3) Employees engaged by projects mentioned in paragraph (2) of this Article, must meet the following conditions:

- (A) Be qualified to work in the field of information technology and hold an academic degree in this field from universities and specialized colleges that are certified by the Ministry of Education and Higher Education.
- (B) Be engaged on a full-time basis and have a payroll tax file.
- (C) The company or project enjoying the benefits of this Law must maintain the minimum number of employees for which the exemption was granted and the Authority has the right to verify such compliance.
- (D) If it is proven to the Authority that the company or the project no longer maintain the requisite number of employees for which the exemption was granted or if it determines that

the information provided was not true, it may suspend the exemption and take appropriate action.

- (E) The companies and projects shall, for the entire term of the exemption granted, notify the Authority in writing of any employee whose employment is terminated and the new hires.

Article 10 |

Article (24) of the original Law shall be amended as follows:

- (1) The Board of Directors may, to advance public interest and subject to the nature of project activity and geographic location or the extent to which the project contribute

to increasing exports or create jobs or to advance development, grant additional incentives and exemptions subject to the Council of Ministers approval.

- (2) The Board of Directors may extend the term of the exemption for projects for an additional two years if the percentage of the local content of machinery and equipment exceeds 40% but capital invested in land and buildings shall not be assessed as part of this percentage, which is a matter left to the determination of the Authority.

Article 11

Article (25) of the original Law shall be amended as follows:

- (1) The investor must carry out the following:
 - (A) Inform the Authority in writing immediately upon completion of the installation of fixed assets and preparation for start the project.
 - (B) Make the application to enjoy the benefits provided in the Law along with all supporting information and materials attachments as stipulated in the Regulations within six months from the beginning of production or activity of the project; however the Board of Directors may extend this period for a an additional six months

as a maximum period based on a request made by the investor to the Authority.

- (C) Submit financial statements audited by a certified auditor.
- (2) The Authority will evaluate the information contained in the application submitted by the investor for the investment project pursuant to Regulations immediately upon submission.
- (3) The Authority will make its decision approving or denying the investment application with sixty days from the date of submission of the application, and in the event that the Authority does deny the application within this period, the project becomes eligible for the enjoyment of the benefits stipulated in this Law.

Article 12

Article (27) of the original Law shall be amended as follows:

- (1) A project designed to develop an existing project with an additional investment whose value is one hundred thousand dollars and less than one million dollar will be granted an exemption from income tax on taxable income for a period of four years commencing the date of the completion of developing the existing project provided that the development is completed during a term of two years.
- (2) A project designed to develop an existing project with an additional investment whose value is one million dollars and less than five million dollar

will be granted an exemption from income tax on taxable income for a period of four years commencing the date of the completion of developing the existing project provided that the development is completed during a term of two years.

- (3) A project designed to develop an existing project with an additional investment whose value exceeds five million dollar will be granted an exemption from income tax on taxable income for a period of four years commencing the date of the completion of developing the existing project provided that the development is completed during a term of two years.

Article 13

Article (35) of the original Law shall be amended as follows:

- (1) Tourism, health and education projects will be granted additional exemptions from customs and duties for the purchase of furniture and furnishings, tools and electrical and electronic equipment and supplies for the purpose of modernizing and upgrading once every five years provided that they are imported into Palestine or used in the project within two years from the date of grant of approval by the Authority approving the list of items and the quantities.

- (2) The Authority will recover the full value of the additional exemptions mentioned in the previous paragraph absent import or use in the project within the two year period.

Article 14

Article (43) of the original Law shall be amended to read as follows: Commercial projects, insurance companies, banks, money changers entities, and real estate projects, except real estate development projects, shall not enjoy the exemptions from taxation provided for in this Law, however, they shall enjoy all other facilitations provided therein.

Article 15

A decision of the Council of Ministers upon the recommendation of the Board of Directors, may terminate the grant of incentives (exemptions from income tax as provided for in this Law) two years from the going into force of this Law; such a termination shall not prejudice exemptions provided prior to the amendment of this Law which shall run their original term of the exemptions.

Article 16

- (1) Article (28) of the original Law shall be repealed.
- (2) Provisions that contravene this Law shall be repealed.

Article 17

This Law shall be presented to the Legislative Council during the first session it shall reconvene.

Article 18

All concerned shall implement this Law and the Law shall go into force from the date of publication in the Official Gazette.

Issued in the City of Ramallah on:
13/10/2011.

Mahmoud Abbas

President of the State of Palestine

Chairman of the Palestine Liberation Organization

President of the Palestinian Authority

PIPA:

P.O. Box 1984, Ramallah, Palestine

Tel: +970 2 2988791/2

Fax: +970 2 2988793

E-mail: info@pipa.gov.ps

Website: www.pipa.gov.ps