



The President

**Presidential Decree No. () of 2014
on the Amendment of the Promotion of Investment in Palestine
Law No. (1) of 1998, as amended.**

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

After having reviewed the provisions of the Amended Basic Law
of the year 2003, and its amendments

And after having reviewed the Palestinian Investment Promotion Law No. (1)
of the year 1998, and its amendments,

Based on the recommendation of the Cabinet on (04/03/2014)

Based on the powers vested in us,
And for the public concern,

In the name of the Arab Palestinian People,

We hereby issue the following Presidential Decree:

Article (1)

The Law on the Promotion of Investment in Palestine No. (1) of 1998, and its amendments, shall be referred to, for the purposes of making this amendment, as the Original Law.

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Article (2)

1. Definitions provided in article (1) of the Original Law shall be amended as follows:

Incentive Package Contract:

A contract by which the Agency grants the investor incentives, whether tax or non-tax incentives, including (fees on transactions, support services, training and logistic services) pursuant to a decision issued by the Board of Directors in exchange of commitment from the investor to implement the project in accordance with the terms and conditions stipulated in this contract.

Development of an Existing Project:

Actual financial expenditure to either expand, develop or modernize an existing project by adding new fixed assets that results in an increase of the productive capacity of the existing project, increase in its labor capacity or adding new product or manufacturing a product being imported from abroad.

2. The following definitions shall be added to Article (1) of the Original Law:

Tourism Projects: Hotel facilities and apartments, and tourism villages and resorts.

Agricultural Projects: The projects whose income is being directly generated from land cultivation or livestock.

3. Definition of Real Estate Development Projects shall be repealed from Article (1) of the Original Law.

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Article (3)

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

The approved economic activities within the incentive package contract regulations shall benefit from all incentives stipulated in the law, and any sectors or other sub-sectors approved by the Council of Ministers upon recommendation from the Board of Directors.

Article (4)

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

1. The Agency's Management shall be assumed by a Board of Directors consisting of eleven 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 Tourism and Antiquities.
 - d. Ministry of Telecommunications and Information Technology.
 - e. Ministry of Local Government.
 - f. Energy and Natural Resources Authority .
 - (3) Four representatives from the Palestinian private sector; provided that each representative shall independently exercise its tasks, as follows:
 - a. A representative of the Federation of Palestinian Chambers of Commerce, Industry and Agriculture.
 - b. A representative of the Palestinian Federation of Industries.
 - c. A representative of the Palestinian Businessmen Association.
 - d. A representative of the Palestine Trade Centre.

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2. The Chief Executive Officer shall participate in all sessions of the Board of Directors as a non-voting member.
3. The membership term of the Board of Directors shall be determined by regulations to be issued by the Council of Ministers based on the recommendation of the Board of Directors.

Article (5)

Article (15) of the Original Law shall be amended as follows:

1. Paragraph (2) shall be amended as follows:

Approve the incentive package contracts prepared by the Agency with all amendments that may take place thereon.

2. Paragraph (12) shall be amended as follows:

Create an investment one stop 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 the relevant ministries or other official bodies do not grant approval within thirty business days starting from the date of the submission of the application by an investor, the Agency's Board of Directors may issue a license for the project.

3. Adding a new paragraph that holds No. (17) as follows:

The representative of the Ministry of Finance at the Board of Directors shall be entitled to submit an annual report on the direct and indirect taxes of the investment projects benefited from the law and incentive package contracts as well as on the investors' commitment in connection with the processing and repayment of their obligations.

4. Adding a new paragraph that holds No. (18) as follows:

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- Participating in the Agency's promotional activities when needed.
5. Adding a new paragraph that holds No. (19) as follows:

Endorsing a financial compensation regulations for Board Members in exchange of attending the Board of Directors' meetings and present it to the Council of Ministers to be approved.

6. Adding a new paragraph that holds No. (20) as follows:

The Supervision on the Executive Management work shall be assumed by the Chairmen.

Article (6)

Article (16) of the Original Law shall be amended as follows:

1. Item (A) shall be amended as follows:

The Board of Directors shall convene a regular meeting at least eight times per annum called for by the Chairman or, in his absence, the Vice-Chairman, while such meeting shall not be considered lawful, unless attended by at least two-thirds of its members; provided that the Chairman or the Vice-Chairman, if absent, shall be amongst them.

2. Adding a new item that holds No. (E) as follows:

The Chairman may invite whosoever of experts and experienced people to attend the meeting of the Board of Directors and to render advice on the deliberated subject without having the right to vote.

Article (7)

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

1. Item (C) of the paragraph (2) shall be amended as follows:

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Submit reports, on regular basis, to the Chairman on the Agency's operations and performance.

2. Item (D) of the paragraph (2) shall be amended as follows:

Participate in activities aimed at promoting investment in Palestine at the local and international levels in coordination with the Chairman.

3. Adding a new paragraph that holds No. (3) as follows:

The Chief Executive Officer shall follow directly to the Chairman.

4. Paragraph No. (3) shall be repealed.

Article (8)

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

1. The projects approved by the Agency and which have obtained the required licenses in accordance with the law, shall be granted the following incentives and exemptions:

- A. Income tax of zero (0%) for the agricultural projects whose income is being directly generated from land cultivation or livestock.

- B. Income tax of (5%) for a period of five years commencing from the date of realizing profit but not exceeding four years, whichever is earlier.

- C. Income tax of (10%) for a period of three years commencing from the end of the first phase. It will be, thereafter, calculated based on the applicable and in effect percentages and segments.

2. The following projects shall enjoy the incentives provided for in the law by virtue of their definitions in other relevant laws and which have obtained the required licenses in accordance with the law:

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- A. The industrial sector.
 - B. The tourism sector.
 - C. The new projects within any sector that employ at least twenty-five workers during the period of benefit.
 - D. The projects that increase their production exports ratio for more than (40%).
 - E. The projects, within any sector, which approximately use (70%) of the local content (machinery and raw materials).
 - F. Any existing project that adds new twenty-five workers to the number of the already existing workers.
 - G. Developmental expansions of an existing project which comply with the criteria shall benefit from the incentives based on the development percentage of the paid-in capital but not including the value of the land.
 - H. The projects that have been granted benefits within the incentive package contract regulations, including the quality projects that are rendering a service or value that complies with special criteria or meet international environment conditions, or alternative energy services or projects located within areas of developmental priorities.
3. Double tax incentive shall not be applied in any phase.
 4. Each investment project, which is not mentioned herein, shall benefit from the incentive package contract if the approval of the Agency's Board of Directors has been made to conclude a contract thereto.

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Article (9)

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

The Agency's Board of Directors may, to advance the public interest and subject to the nature of the project's activity, geographical location, the extent to which the project contributes to increasing exports, creating job opportunities, to advance development, transfer knowledge, support research and development or for the purposes of enhancing the public benefit services, conclude an incentive package contract in which this project may benefit from the taxation incentive and support services specified in this contract; provided that all contract items shall be met and fulfilled.

Article (10)

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

1. Item (B) of Paragraph (1) shall be amended as follows:

Submit an application to benefit from the incentive package contract along with all information and attachments as stipulated in the regulations within six months starting from the beginning of production or activity of the project; however the Board of Directors may extend this period to an additional six months as a maximum period based on a request made by the investor to the Agency.

2. Paragraph (3) shall be amended as follows:

The Agency will make its decision approving or denying the application to benefit from the incentive package contract within sixty business days from the date of submission of the application, and in the event that the Agency does not issue its denial decision of the application within this period, the project becomes eligible to enjoy the benefits stipulated in this Law.

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Article (11)

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

The investment projects designed to develop an existing project may benefit from the taxable and non-taxable incentives approved by the Agency based on the development percentage of the project while all taxable and non-taxable incentives and other support exclusions to development projects within the incentive package contract regulations.

Article (12)

Article (43) of the Original Law shall be amended as follows:

Commercial projects, insurance companies, banks, money changers entities, real estate projects, real estate development projects, electricity projects of various types, telecommunications and telecom services, commercial services, crushers, quarries and the companies that obtained concession contracts from the Council of Ministers and operate as monopolist companies shall be excluded from the tax incentives.

Article (13)

Article (15) of Decree No. (2) of the year 2011, which amending the Original Law, shall be amended as follows:

If any amendment made on the granted incentives or on the classification of the developmental region defined within the regulations in which the project is located, then the projects benefiting from the incentives have the option to select the incentives stipulated in the amended Decree or to benefit from the applicable and in effect incentives before the amendment based on an official request to be submitted to the Agency.

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Article (14)

Articles (33, 35, 42) shall be repealed from the Original Law.

Article (15)

Provisions that contravene this Decree shall be repealed.

Article (16)

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

Article (17)

All concerned parties shall implement this Decree and shall be in effect after thirty days from the date of publication in the Official Gazette.

Issued in the City of Ramallah, on: 11/03/2014.

Mahmoud Abbas

President of the State of Palestine
Chairman of the Executive Committee of Palestine Liberation Organization
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