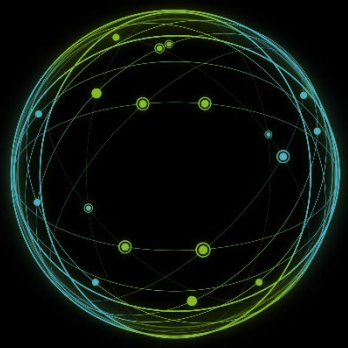
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International Tax

Palestinian Territories Highlights 2026

Updated January 2026



Investment basics

Currency: New Israeli Shekel (NIS)

Foreign exchange control: There are no foreign exchange controls or restrictions on the import or export of capital. Cash may be repatriated in any currency. Both residents and nonresidents may hold bank accounts in any currency.

Accounting principles/financial statements: IAS/IFRS is required for financial services entities and companies listed on the Palestine stock exchange. Financial statements must be prepared annually. Semi-annual financial statements must be prepared for financial institutions and listed companies.

Principal business entities: These are the public shareholding company, private shareholding company with limited liability, partnership, sole proprietorship, and branch of a foreign corporation.

Corporate taxation

Rates	
Corporate income tax rate	15% (in general)
Branch tax rate	15% (in general)
Capital gains tax rate	0%/15% (in general)

Residence: A corporation is resident if it is incorporated in the Palestinian Territories ("Palestine") or managed and controlled in Palestine.

Basis: Residents and legal entities, including branches of foreign entities, are taxed on their taxable income in Palestine calculated in accordance with the tax law. Branches are taxed in the same way as subsidiaries.

Taxable income: Corporate tax is imposed on a company's net profits, which consist of business/trading income and passive income. Taxable income of resident persons and companies includes foreign income derived from their funds or deposits sourced from Palestine.

Income is taxable on an accruals basis, except for interest and commissions on doubtful debts of financial institutions, which are taxable on a cash basis. Taxable income of certain professions is calculated on a cash basis in accordance with directives issued by the tax authorities.

Rate

General

The standard rate is 15%. Life insurance businesses are subject to a reduced rate of 5% on premium income. The taxable income of telecommunication companies and companies that enjoy specific privileges or monopolies is taxed at 20%.

Surtax

There is no surtax.

Alternative minimum tax

There is no alternative minimum tax.

Global minimum tax (Pillar Two)

Palestine has not committed to implementing rules that generally are in line with the global anti-base erosion (GloBE) or "Pillar Two" model rules published by the OECD/G20 Inclusive Framework on BEPS that are designed to ensure a global minimum level of taxation of 15% for certain multinational enterprise groups.

Taxation of dividends: Dividends received by a resident company from another resident company are tax exempt. Dividends received from a nonresident entity are taxed at the regular corporate tax rate.

Capital gains: Capital gains derived from the sale of investments in equity securities and bonds are exempt. Capital gains derived from the sale of tangible assets and real property are taxable at the regular corporate tax rate.

Losses: Tax losses may be carried forward for five years. Such losses do not include unrealized losses from revaluations or losses incurred on tax-exempt transactions. Losses may not be carried back.

Foreign tax relief: There is no relief for foreign tax.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: Incentives in the form of tax rate reductions for specified periods are granted to certain entities if approved by the Palestine Promotion Agency.

Compliance for corporations

Tax year: The tax year generally is the calendar year. Approval is required to use an alternative fiscal year.

Consolidated returns: Consolidated returns are not permitted; each company must file a separate tax return.

Filing and payment: A self-assessment regime applies. Advance payments on account of tax liabilities for the year must be made, and the timing and incentives for early payment are determined based on directives issued by the minister of finance.

The tax return must be filed within four months following the end of the tax year. If the tax return is filed within two months following the end of the tax year, a discount of 4% is granted on the balance of tax payable as per the self-assessment (after deducting advance payments made on which a discount already has been granted). A discount of 2% is granted where the tax return is submitted during March or April of the following year.

Penalties: A penalty equal to 3% of the tax liability per month, up to a maximum of 20%, is imposed for the late payment of tax. The minimum penalty is NIS 3,000 for companies. Penalties of 2% of the tax liability per month also apply for the late payment of payroll and withholding taxes.

Rulings: There is no ruling procedure.

Individual taxation

Rates		
Individual income tax rate	**Taxable income (NIS)**	**Rate**
	Up to 75,000	5%
	75,001–150,000	10%
	Over 150,000	15%
Capital gains tax rate		0%/5%/10%/15%

Residence: The following individuals are considered to be resident in Palestine (i) Palestinian individuals who have lived in and maintained their principal activities in Palestine for at least 120 days during the year, and (ii) non-Palestinian individuals who have resided in Palestine for at least 183 days during the year.

Basis: Palestinian residents and nonresidents are taxed only on Palestinian-source income.

Taxable income: Taxable income comprises income from all sources (unless specifically exempt by law), less allowable expenses incurred in the production of the income and the standard deduction (see "Deductions and allowances," below).

Rates: Individual income tax is charged at progressive rates ranging from 5% to 15%. The first NIS 75,000 is taxed at 5%, the next NIS 75,000 at 10%, and the remainder at 15%.

Capital gains: Capital gains are taxed at regular rates, but capital gains derived from the sale of investments not held for trading are tax exempt.

Deductions and allowances: Individual income is reduced by a standard deduction of NIS 36,000 per year. There is a one-time deduction of NIS 30,000 for the purchase of a residence, or NIS 4,000 per year in interest deductions on a home mortgage for a maximum period of 10 years. A university education deduction of NIS 6,000 per year is granted for up to two dependents at university. Up to 10% of an individual's salary is tax exempt as a transportation cost.

Foreign tax relief: There is no relief for foreign tax.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: Each individual must file a tax return unless the individual's only income is from employment. Joint filing is not permitted unless approved by the tax authorities.

Filing and payment: Tax on employment income is withheld by the employer and remitted to the tax authorities. Self-employed individuals and employed individuals with income from other sources must file a self-assessment return within four months following the end of the tax year.

Penalties: Penalties are imposed for the late payment of tax.

Rulings: There is no ruling procedure.

Withholding tax

Rates				
Type of payment	**Residents**		**Nonresidents**	
	Company	**Individual**	**Company**	**Individual**
Dividends	10%	10%	10%	10%
Interest	0%	0%	10%	10%
Royalties	0%	0%	10%	10%

Dividends: A 10% withholding tax is imposed on dividends paid to a resident or a nonresident, unless the rate on dividends paid to a nonresident is reduced or an exemption is available under an applicable tax treaty. The withholding tax was suspended from 2015 through 2017 and in practice, has not been applied since, although no official guidance has been issued on the status.

Interest: No withholding tax is imposed on interest paid to a resident. A 10% withholding tax is imposed on interest paid to a nonresident unless the rate is reduced or an exemption is available under an applicable tax treaty.

Royalties: No withholding tax is imposed on royalties paid to a resident. A 10% withholding tax is imposed on royalties paid to a nonresident unless the rate is reduced or an exemption is available under an applicable tax treaty.

Fees for technical services: No withholding tax is imposed on technical service fees paid to a resident. Payments made for services provided by a nonresident are subject to a 10% withholding tax unless the rate is reduced or an exemption is available under an applicable tax treaty.

Branch remittance tax: There is no branch remittance tax.

Other: Payments for goods and services are subject to withholding tax at rates ranging from 5% to 10%, unless the payee provides a tax certificate issued by the tax department.

Anti-avoidance rules

Transfer pricing: There are no transfer pricing rules.

Interest deduction limitations: There are no interest deduction limitation rules.

Controlled foreign companies: There are no controlled foreign company rules.

Anti-hybrid rules: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance requirements.

Disclosure requirements: Audited financial statements and related notes, together with a reconciliation between financial income and taxable income approved by a licensed auditor, must be attached to the corporate tax return.

Exit tax: There are no exit taxes.

General anti-avoidance rule: There is no general anti-avoidance rule.

Value added tax

Rates	
Standard rate	16%
Reduced rate	0%

Taxable transactions: VAT is imposed on the sale of goods and the provision of services, and on imports.

Rates: The standard VAT rate is 16%. Certain transactions are zero-rated or exempt. For financial institutions, VAT is imposed at a rate of 16% on gross salaries and on taxable income.

Registration: All business entities and individuals must register for VAT purposes; there is no minimum threshold.

Filing and payment: A VAT return generally must be filed on a monthly basis or other basis, as required.

Other: A new VAT law (Law No. 26 of 2024 of Value Added Tax) is effective as from 1 July 2025 but the standard VAT of VAT remains unchanged.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals.

Social contributions and payroll taxes: The president has put on hold implementation of a new social security law introducing compulsory monthly social security contributions for all Palestinian private sector employers and employees, and foreign employees working in Palestine where a work permit has been issued, and voluntary contributions for the self-employed.

Financial institutions are subject to VAT at 16% on gross salaries.

Capital duty: There is no capital duty.

Real property tax: Tax on property is imposed at a rate of 17% on the assessed value of rental income. A deduction for 40% of the tax is allowed as an expense in calculating taxable income, with the remaining 60% available as a credit against the income tax liability.

Transfer tax: There is no transfer tax.

Stamp duty: There is no stamp duty.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Tax treaties: Palestine has concluded around 10 tax treaties.

Tax authorities: Income Tax Authority, VAT Authority, Ministry of Finance

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