

GLOBAL HIRING GUIDE

Palestine





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01

BASIC COUNTRY FACTS

— **Full Name**
State Of Palestine

— **Capital**
Ramallah
East Jerusalem

— **Main Languages**
Arabic

— **Population**
4.923 Million

— **Monetary Unit**
U.S. Dollar
Israeli Shekel
Jordanian Dinar

— **Internet Domain**
.ps

— **International Dialing Code**
+970

— **Currency**
U.S. dollar
Israeli shekel
Jordanian dinar



02

STATUTORY LABOR REQUIREMENTS

Probation Period

- The work contract may start with a probation period, the duration of which is three months, and it may not be extended more than once for the same period and by the same employer

Annual Leave

- Employees are entitled to a minimum of 14 days for the first 5 years of employment; minimum of 21 days thereafter.

Public Holidays

1. New Year's Day
2. Prophet's Ascension
3. Labor Day
4. Eid al-Adha
5. Islamic New Year
6. Prophet's Birthday
7. Independence Day
8. Christmas Day

Maternity Leave

- After 180 days with an employer, pregnant employees receive 10 weeks' paid maternity leave, at least 6 of which must be taken after delivery.
- Public sector maternity leave was increased from 10 to 14 weeks.

Paternity Leave

- Fathers receive 3 days' paternity leave.

Sick Leave

- Based upon a report from the Medical Committee, the worker shall be entitled to a fourteen days paid sick leave each year.
- The worker is also entitled to another fourteen days' sick leave, where he/she will be paid half of his/her wage.

Work Hours

- The actual working hours shall be forty-five hours per one week.
- The daily working hours shall be reduced by at least one hour in all hazardous or health damaging occupations, in addition to nightly jobs.

Overtime

- Employees must be paid 150% of salary for overtime.

Notice Period

- A contract can be terminated with one month's notice period.

Severance

- With respect to the regulation of severance pay, Article (45) under the Palestinian Labor Law provides that the severance pay will be counted on the basis of one month for each year the worker spends at work, on condition that the worker has spent more than one year at the workplace.

13th Month

- The worker who completes a year at his/her work shall be entitled to an end of service bonus, the amount of which shall be a one-month wage for each year he/she spent at work.
- The bonus shall be calculated based on the last wage which he/she earned not including overtime working hours.



03

INCOME TAX

- Income Tax Law number 8 for the year 2011 (and its amendments) is the applicable Law in Palestine.
- According to this Law 'all realized incomes in Palestine from any source for any person are taxable unless there is a clear tax exemption in the Income Tax Law'.
- Employees who are working in Palestine are subject to tax on their wages, salaries, and benefits according to the following yearly brackets and rates:
 - From 1 to 75,000 Israeli shekels (ILS): 5%
 - From ILS 75,001 to ILS 150,000: 10%
 - From ILS 150,001 and above: 15%

INCOME TAX RATE	
From 1 to 75,000 Israeli shekels (ILS)	5%
From ILS 75,001 to ILS 150,000	10%
From ILS 150,001 and above	15%

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SOCIAL SECURITY

- There are no social security contributions in Palestine.

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DEDUCTIBLE EXPENSES

Employment Expenses

- There are exemptions for residents, such as ILS 36,000 per year for being a resident, and other exemptions for transportation, for purchasing a house, and more as listed below:
 - Amount paid for transportation or 10% of total annual salary, whichever is lower for the employees of the private sector.
 - The contributions of employees to saving and retirement funds, health insurance, social security, or any other funds approved by the Minister.
 - A one-time exemption of ILS 30,000 per year for building a house or an exemption from the amount of actual interest paid on a loan from a bank or lending or housing institution that has been spent on buying or building a house with a maximum of ILS 4,000 annually for a period not exceeding ten years.
 - University exemption of ILS 6,000 per year per student for paying one's tuition fees, one's spouse's tuition fees, and one's children's tuition fees at the university or community college.
 - The exemption applies to a maximum of two students in each year.

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IMMIGRATION

Immigration

- Individuals of all nationalities must apply for working permits if they want to work in Palestine.
- Work permits are issued by the Ministry of Interior.
- An applicant may not begin working in Palestine before obtaining a work permit.
- Work permits may not be transferred from one employer to another; therefore, if an employee changes employers, the previous work permit is canceled, and the worker must apply for a new permit.
- Foreign investors may engage in almost any type of economic activity.
- The Palestinian Authority does not limit foreigners' investments, except for certain sectors, including energy, manufacturing of firearms, oil and gas, which require prior approval.
- In addition, foreign ownership of a public shareholding company may not exceed 49%.
- Foreign investment for the establishment of a new company requires prior registration and authorization from the Palestinian Ministry of National Economy.
- To register and obtain authorization, the articles of incorporation, bylaws and board of directors' authorization must be filed, and a resident representative must be appointed.

07

VALUE ADD TAX

Value Added Tax

- The VAT rate in Palestine is 16% on the deals that are subject to VAT.

VAT	
Standard Rate	16%

08

WITHHOLDING TAX

Withholding Tax

Dividends

- A 10% withholding tax is levied on dividends paid to a resident or a nonresident, unless the rate is reduced or an exemption applies under an applicable tax treaty.
- The withholding tax was suspended from 2015-2017 and in practice, is not applied in 2018 and subsequent years, although no official guidance has been issued on the status.

Interest

- The Palestinian Territories do not levy withholding tax on interest.

Royalties

- A 10% withholding tax is levied on royalties paid to a nonresident, unless the rate is reduced or an exemption applies under a tax treaty.

Fees For Technical Services

- .Payments made for services provided by nonresidents are subject to a 10% withholding tax, unless the rate is reduced or an exemption applies under an applicable tax treaty.

TYPE OF PAYMENT	RESIDENTS		NONRESIDENTS	
	Company	Individual	Company	Individual
Dividends	10%	10%	10%	10%
Interest	0%	0%	0%	0%
Royalties	0%	0%	10%	10%
Technical Service Fees	0%	0%	10%	10%

09

TERMINATION

- The employer may terminate the work contract for technical reasons or due to a loss, which made it necessary to reduce the number of workers, in such incident the worker shall maintain his/her right to be reimbursed for the notice and for the end of service bonus, provided that the Ministry is notified of such actions.
- The worker shall have the right leave the work after the notifying the employer, while keeping his/ her legal rights, including the end of service bonus, in addition to any other rights he/she may be entitled to in any of the following cases:
 - Using his/her in order to perform a work, which substantially differs in type or grade from the work, which was agreed upon under the work contract, unless necessity so requires and for a temporary period and in order to prevent the occurrence of an accident or in the event of force majeure.
 - Being employed in a manner, which requires him/her to change his/her place of residence.
 - Proving through medical report issued by the Medical Committee that continuing working in the same type work poses a danger to his/her life.
 - Being assaulted slandered by the employer or his/her representative during or due to the work.
 - The failure of the employer to fulfil his/her obligations towards the worker despite the workers written demands to do so.

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STATUTORY BENEFITS

- These are mandatory benefits as postulated by law.
- These include probationary period, annual leave, public holidays, sick leave, maternity leave, overtime pay, notice period, and severance pay.
- Statutory benefits also include social security benefits.

STATUTORY BENEFITS

- Probationary Period
- Annual Leave
- Public Holidays
- Maternity Leave
- Sick Leave
- Overtime Pay
- Notice Period
- Severance Pay
- Social Security Benefits



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