

**Influence of Clearing on Tax Revenues in Palestine
from 1995-2005**

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Abstract

This study sought to identify the state's public revenues, their criteria, their divisions, types, sources, public and private domains, fees, loans and taxes. It also aimed at highlighting the importance of tax revenues for the public budget. Clearing, one of the important sources of tax revenues in Palestine, has had an influence on these revenues especially after the outbreak of the second Intifada in 2000.

This study was divided into three chapters. Chapter one dealt with the nature of public revenues, criteria of dividing them and their sources, internal and external. The chapter began with the definition of tax, its characteristics, aims, basic values as set up for the first time by Adam Smith; then it moved to value added tax in terms of meaning and changes which have been introduced to it. It also examined the tax regime.

Chapter two was devoted to clearing in terms of its types, importance and aims. It also highlighted the importance of the Central Clearing Department in terms of its responsibilities evasion from clearing and penalty imposed on clearing evasion and the extent of the efficiency of the Palestinian judiciary apparatus in the execution of such penalty.

Chapter three dwelt on the Palestinian claim statement and on how the two parties get to the clearing dues figure which they discuss each

month and extent of the Israeli economic control of the Palestinian market and the influence of the clearing on the tax revenues and the extent of Al-Aqsa Intifada impact on these revenues.

In this study, it was found that the value added tax represented 52% of the total revenues, thus occupying the first place in terms of its contribution to these revenues. That is, it's necessary to develop this important source of tax revenues. This tax also includes clearing tax. However, due to dependence on and control of the Israeli side, the clearing plunged to low levels at the beginning of the Intifada, thus significantly reducing its contribution to Palestinian tax revenues. There was also change in the percentages of value added tax due to change in the percentages by the Israeli side. It was also found the Palestinian economic ties were mostly with the Israeli side, thus leading to the creation of the clearing. As a result, the Palestinian economy has sustained heavy losses with every tight closure due to its total dependence on the Israeli economy. The Paris Protocols agreement signed in 1990s prevented the Palestinians from free and direct imports with the world. Therefore, the Palestinians have been left with no choice but to import through their Israeli counterparts and their imported goods have to pass through Israeli ports and customs procedures.

In the light of these findings, the researcher suggests a number of measures to decrease or even to disengage from the Israeli economy. To this end, the researcher recommends setting up objective plans to get rid of dependence on the Israeli economy. This can take both transitional and

strategic dimensions. The transitional dimension includes boycott of Israeli products which have a national alternative.

The strategic dimension includes the cancellation of the Paris Economic Protocols, opening of the Arab markets for the Palestinian products, launching awareness campaigns to educate the public on the importance of obtaining clearing invoices and submitting them to the tax departments.