

Annex#
Protocol on Customs Arrangements

Recognizing the importance of continuing the proper implementation of the *Paris Protocol on Economic Relations* (Annex 5 of the Israeli-Palestinian Interim Agreement of the West Bank and the Gaza Strip of September 28, 1995) and any other agreement related thereto ("the Paris Protocol"), signed between the Government of Israel ("the GoI") and the Palestinian Liberation Organization;

Noting the fact that the GoI and the Palestinian Authority ("the PA") (collectively "the Parties") have concluded the *Agreed Principles for Rafah Crossing* on 15 November 2005 ("the APCR"), which calls for the conclusion of a customs annex; and

Appreciating the need for confidence-building measures between the Parties;

The Parties agree as follows:

Article I
Scope of the Protocol

This Protocol details the customs arrangements and procedures applicable at the Rafah Crossing Point ("the RCP") and the Kerem Shalom Crossing Point ("the KSCP").

Article II
Rafah Crossing Point

1. The RCP shall be operated in accordance with the Paris Protocol, applicable laws and regulations, international standards, and the terms of this Protocol.
2. Palestinian customs officials shall be on duty at the RCP during all hours of operation.
3. The RCP shall be operated according to clear and transparent procedures, including the proper positioning of customs-related signs and notices.
4.
 - a. Persons passing through the RCP, shall have the right to import personal effects, as prescribed in Rule 1(E) to Heading 7 of the Annex to the applicable Customs Tariff ("Rule 1(E)"), through the RCP.
 - b. A person passing through the RCP importing personal effects in excess of the quantities prescribed in Rule 1(E) shall pay the applicable import taxes,

assessed at the RCP, at the bank operating at the RCP before removing the personal effects from the crossing point. Such personal effects may not substantially exceed the quantities or values prescribed in the applicable regulations, as amended from time to time.

- c. Personal effects substantially exceeding quantities prescribed in Rule 1(E) shall be transferred to the KSCP for clearance, according to the procedure agreed between the Parties, where the applicable taxes and duties shall be assessed. Such taxes and duties shall be paid at the RCP.
 - d. All other goods and commercial shipments shall be imported through the KSCP in accordance with Article III.
5. When a person passing through the RCP is suspected of committing a customs violation, he and all persons accompanying him shall be inspected.
6. In instances where approval by a competent Palestinian authority is necessary for the importation of a particular good, Palestinian customs officials shall require that the person importing the good obtain approval from the competent Palestinian authority.
7. Plants and plant products, seeds, meat and poultry, whether fresh or chilled, animals and any other agricultural products, even if intended for personal consumption, may not be imported through the RCP.
8. Palestinian authority officials shall prevent the importation of any weapons and explosives.
9. Palestinian authority officials shall prevent the importation of any other materials and goods, if prohibited in accordance with the Protocol on Security Implementation Procedures (“the Security Protocol”).
10. Palestinian customs officials shall keep a record of, and shall inform the European Union Border Assistance Mission (“the EU-BAM”), which will report to the Coordination and Evaluation Committee in accordance with sub-article III(7) of the *Agreed Arrangement on the European Union Border Assistance Mission at the Rafah Crossing Point on the Gaza-Egypt Border* (“the EU-BAM Agreed Arrangement”), of:
 - a. customs offences and violations; the responses thereto, which may include criminal prosecution, the imposition of fines and confiscation/disposal of goods; and the perpetrators of such offences; and
 - b. any seizure, confiscation and disposal of goods at the RCP.
11. In the interests of ensuring the full and proper implementation of the Paris Protocol, the Parties agree to cooperate and to share the following information:
 - a. data regarding the payment of import taxes at the RCP; and

- b. regular updates on trade policy, customs laws and regulations, and customs procedures.

The aforementioned information shall be exchanged electronically.

12. The EU-BAM will lead a liaison office which shall receive real time computer data and video feed as detailed in the APRC and the Security Protocol.
13. The penalties for customs offences committed at the RCP shall be consistent with existing penalties for similar offences as applied at other entry and exit points referred to in the Paris Protocol.
14. The RCP may be used for the export of goods. Israeli importers and exporters may not use the crossing point.
15. In furtherance of sub-articles III(1) and (4) of the EU-BAM Agreed Arrangement, the EU-BAM shall actively monitor and verify the performance of the Palestinian customs officials concerning:
 - a. the classification and valuation of imports;
 - b. the collection of applicable duties and taxes, and the detaining of goods until such duties and taxes are paid at the bank;
 - c. the seizure of goods and the handling of seized goods, including their storage, until such time as they are cleared, confiscated or destroyed;
 - d. the posting of signs at the RCP clarifying the rights and obligations of persons at the entry and exit areas;
 - e. the implementation of sub-articles II(4), II(6), II(7), II(8) and II(9) of this Protocol;
 - f. the transfer of goods mentioned in sub-article II(4)(c) of this Protocol, from the RCP to the KSCP in accordance with the procedure agreed between the Parties;
 - g. the entrance and handling of vehicles in accordance with the APRC and the Security Protocol; and
 - h. the maintenance of a record of customs offences according to sub-article II(10) to this Protocol.

Article III **Kerem Shalom Crossing Point**

1. Palestinian customs officials shall clear incoming cargo at the KSCP in the presence of, and under the supervision of, Israeli customs officials, in accordance with applicable customs legislation and procedures, after Israeli officials complete security clearance of the passing cargo.

2. Israeli customs officials shall provide training and capacity-building to Palestinian customs officials regarding customs clearance of imports at the KSCP.
3. The Parties shall discuss and agree upon additional operating procedures at a later date, as necessary.
4. The Parties shall fulfill their obligations in good faith and use their best efforts to facilitate the expeditious and free flow of goods through the KSCP in accordance with the applicable agreements, laws and regulations.
5. In the event of differences of opinion as to customs matters and procedures, the Parties shall resolve the matters as follows:
 - a. In the case of technical and professional differences of opinion arising at the KSCP, including the classification, valuation or required legal authorizations for *a particular cargo*, the Israeli Customs Manager of the KSCP and the head of Palestinian personnel at the KSCP, shall meet promptly to discuss any difference of opinion, and shall resolve it as soon as possible and, in any event, not later than one day after it arises.
 - b. In the case of differences of opinion arising at the KSCP with regard to operational procedures, including the classification, valuation or required legal authorizations of *imports generally*, the relevant official from the Israel Customs Directorate (“the ICD”) and his Palestinian counterpart shall meet promptly to discuss any difference of opinion, and shall resolve it as soon as possible and, in any event, not later than one week after it arises.
 - c. In the case of other matters particular to the KSCP not covered by paragraphs a and b, the Head of the ICD (“the HICD”) and the Director of the Palestinian Customs Department (“the DPCD”) shall meet promptly to discuss the matter, and shall resolve it as soon as possible and, in any event, not later than thirty days after it arises.

Notwithstanding the foregoing, in any one of the cases, the ICD will have the ultimate legal responsibility and authority for the management and operation of the KSCP in customs matters and customs procedures.

In the case of any difference of opinion arising at the KSCP, the parties shall produce a jointly written report, to be completed within seven days of the resolution, documenting the facts relevant to the issue, the Israeli and Palestinian positions on the matter, the manner in which the issue was settled, and the reasons therefore. Any such written report may be used by the parties for the review of the PA's capacity, as needed.

6. The DPCD shall inform the HICD of the names and positions of the Palestinian customs officials selected to work at the KSCP. The HICD shall notify the DPCD of any reservations regarding the selection(s).
7. Commercial shipments and any other goods that cannot be imported through the RCP under sub-Article II(4) of this Protocol may only be imported through the KSCP. Notwithstanding the foregoing, importers shall not be limited or prevented from importing goods through other Israeli entry points.
8. Imports of Plants and plant products, seeds, meat and poultry, whether fresh or chilled, animals and any other agricultural products, shall be imported in accordance with the applicable laws and regulations and as stipulated in the Paris Protocol.
9. In the event that an importer temporarily imports goods through the KSCP, the importer shall pay the applicable import duties and taxes at the time of importation. The ICD shall transfer the sums paid by the importer to the Palestinian Customs Department (“the PCD”), as an advanced payment by the end of the current month, within the procedure of the monthly clearance system. The PCD shall refund the importer said sums at the time the goods are exported.
10. Customs clearance through the KSCP shall be carried out by a customs broker licensed under Israeli law (“Israeli customs broker”) through a Palestinian agent. The Israeli customs broker shall process the clearance using the Israeli computerized foreign trade system. The Palestinian agent shall process all relevant data through the Palestinian Automated System for Customs Data (“ASYCUDA”). Importers shall receive an ASYCUDA-issued Importation Declaration (Single Administrative Document) from Palestinian customs officials.
11. The ICD shall provide the PCD with data on the payment of import taxes processed through the Israeli computerized foreign trade system or an Israeli bank, and shall transfer the payment to the Palestinian Treasury.
12. Import duties and taxes shall be paid at the Israeli bank established at the KSCP or by means of the computerized payment system.
13. The HICD and the DPCD shall meet ten months after the start of operations at the KSCP in order to review the methods of payment prescribed in sub-article III(12), with a view to reach an agreement on a pilot project for a select number of importers, as agreed upon by the parties, who may pay import duties and taxes, through a Palestinian bank, for the purpose of testing the ASYCUDA system.

Article IV
General

1. A selected group of Palestinian customs officials shall be given training by the ICD in the laws, regulations and procedures relevant to the operation of the RCP, the details of which shall be agreed upon by the Parties.
2. The Parties shall come to an agreement on the methods of transferring goods from the RCP to the KSCP when necessary under this Protocol.
3. The PCD shall prevent the smuggling of goods across the RCP, including illegal narcotic and psychotropic substances, pornography, unlicensed games of chance, and materials inciting hatred of racial, national or religious groups; monitor the movement of money and other financial instruments in order to combat money laundering; and enforce intellectual property rights, all in accordance with prevailing laws and international practice. In the event that the PCD has information regarding smuggling along the Gaza-Egypt border, it shall act to prevent such activities in accordance with applicable Palestinian laws and regulations.

Done at _____ on _____.

For the ICD

For the PCD

Witnessed by:

Witnessed by:
