



KURDI & CO  
كردی و مشاوره

[WWW.KURDI.LAW](http://WWW.KURDI.LAW)

**DOING BUSINESS IN PALESTINE:**  
**The Benefits of Setting Up a Foreign Branch  
Company or a Representative Office**

**2023**

SEPTEMBER



## Introduction

Palestine's unusual geographical position makes for a one-of-a-kind business environment. The region has demonstrated development potential and resilience in vital economic sectors such as services, tourism, agriculture, and innovation.

According to the World Bank, the economies of the West Bank and Gaza are booming compared to other countries. Palestine ranked highly in two categories: tax collection (55th worldwide, 10th in the region) and investor security (49th globally, 4th in the region).

The Investment Promotion Act and the Palestinian Investment Promotion Agency, which serves as the investment promotion authority, provide investors with robust investment support mechanisms. Investments are made and monitored by the Industrial Estate and Free Zone Authority (PIEFZA).

## Benefits of doing business in Palestine

Palestine is a country rich in history and culture – Palestine's remarkable linguistic, cultural, and religious diversity. With an HDI of 0.715 in 2021, the State of Palestine is among the most developed nations in the world. Palestine is rich in resources, and with the help of Kurdi & Company, these resources can be utilized to derive profits from the business.

- Palestine has a young and well-educated labour population ready for employment and outsourcing, particularly in the STEM (science, technology, engineering, and math) sectors.
- Compared to some of its neighbours, it has cheaper operating costs such as labour and real estate, making it a desirable location for enterprises looking for economical options.
- Palestine's central location in the Middle East makes it well-positioned to tap into regional markets.
- Foreign investors can take advantage of tax cuts, subsidies, and other benefits thanks to initiatives launched by the Palestinian Authority and other international organizations.



## Benefits of doing business in Palestine (Continued)

- Palestine is home to a burgeoning tech, with startups and innovation hubs opening up new markets for tech companies, creating employment opportunities via outsourcing.
- In 2021, there was a significant increase in foreign investments in Palestine, with FDI inflows reaching USD 256 million. This was substantial growth, surpassing the pre-pandemic average and being more than three times higher than the previous year. By 2021, the total foreign direct investment in Palestine reached USD 2.9 billion, which is approximately 16.7% of its GDP. These indicate a rising level of interest from international investors in the Palestinian economy, highlighting its potential for further growth and expansion.

## Different types of companies in Palestine

- A General Ordinary Company requires a minimum of two partners and comes with joint and unlimited liability for all partners. It doesn't have a minimum capital requirement, and partners can hold shares with or without providing money. Profit distribution is based on each partner's share unless specified otherwise, and partners exclusively manage and represent the company. Major decisions need approval from all partners.
- Limited Ordinary Company: The number of founders ranges from two to twenty. There is no specific minimum amount to be invested. It distinguishes between general partners with unlimited liability and limited partners with liability limited to their investment.
- A Limited Liability Company (LLC) offers members limited liability without a minimum capital requirement. Management is governed by an operating agreement, and decision-making often requires unanimous approval. Ownership and profit distribution are determined through member agreements, and expert assessments for non-monetary contributions are only needed if specified.



## Different types of companies in Palestine (Continued)

- Private Shareholding Companies limit ownership to specific individuals or entities, with shareholders enjoying limited personal liability. Ownership is represented by shares, which may have approval requirements for transfer. Management structures vary, including boards of directors or general assemblies, and profits are distributed among shareholders based on their share ownership.
- Public Shareholding Companies (PJSCs) involve shareholders with limited liability and require a minimum number of shareholders. Minimum capital requirements can be substantial. Profit distribution can vary based on share types, and the company structure separates shareholders from management and supervisory functions. Decision-making often involves qualified majority requirements, and internal regulations can specify higher majorities for certain decisions. These business structures cater to diverse needs, offering varying levels of liability protection, ownership arrangements, and decision-making processes.

## Registering a Foreign Company Branch in the State of Palestine

The legal provisions outlined in Decree-Law No. (42) of 2021 incorporate the processes and responsibilities of establishing a foreign company branch.

In adherence to the Palestinian legal framework, foreign entities aspiring to engage in commercial activities within the jurisdiction are bound by precise registration procedures, as stated in Article 243.

- According to Article 243 of the Palestinian Commercial Law, Foreign companies must comply with Palestinian law by registering if they intend to engage in commercial activities within the country. However, this law provides an exception that permits foreign companies to participate in or become members of existing companies without registration. Additionally, foreign companies can establish various types of business entities in Palestine, such as regular companies, limited liability companies, or joint-stock companies. They can also choose to register as foreign branches or representative offices, following the regulations outlined in this law. Moreover, foreign companies are subject to the same provisions outlined in Article (14) of this law, which govern the registration and disclosure of data to the companies registry. These rules apply to foreign companies but are adapted to the specific nature of their operations.



## Registering a Foreign Company Branch in the State of Palestine (Continued)

- According to Article 244, the Palestine branch of an overseas company is considered an essential part of the parent firm's infrastructure from which all commercial activities are directed and implemented. The foreign headquarters serves as the primary international representative of the parent company. When a foreign company operates a branch in Palestine, that branch isn't considered its separate entity in the eyes of the law. Instead, it's seen as an extension of the parent company. This means that everything the branch does in Palestine, all the business it conducts, is done on behalf of the parent company. Now, if the branch makes any commitments or obligations while doing business there, the foreign company (the parent company) is the one responsible for meeting those obligations. In other words, if the branch signs contracts, incur debts, or has any legal duties, it's the parent company that's legally on the hook for fulfilling them.
- Registration of a foreign company's branch requires compliance with Article 245, which calls for an application to be filed with the Companies Registry. The application must include an Arabic translation approved by the parent company's decision-making body, stating the foreign company's intention to open a branch in Palestine. The international company's memorandum, bylaws, and registration certificate, along with Arabic translations thereof, are required. For legal purposes, sharing information with the management team and authorized signatories at the overseas headquarters is essential followed by the signature from the authorized person before the registry/notary/lawyer to verify the identity of the authorized person.
- In addition, Article 245 requires that the most recent fiscal year's audited financial accounts be submitted and certified by the jurisdiction where the foreign firm is headquartered. The application must be signed, either physically or digitally, by a person designated to do so. This endorsement verifies the authorized signatory's identity using data extracted from the underlying documents.
- Articles 4 and 11 require the foreign branch to use prescribed conventions for its name. The company needs a name that sets it apart from similar businesses. Applicants seeking trademark protection for designated names or trademarks may apply to the Companies Registry, stating their location and the intended reserved name. If the availability of the name is verified quickly, the reserve period can be extended for an additional 120 days.
- When a foreign company registers a branch in Palestine per Article 248, the Palestinian Authority grants it the right to open bank accounts with Palestinian banks.
- For a seamless and efficient company or business registration process in Palestine, Kurdi & Company offers access to our highly experienced professionals who specialize in this field. Additionally, we provide a range of legal services to meet your specific needs.



# Representative Office in Palestine

## Article (252) - Registration of the Representative Office and Required Documents

The representative office is integral to the foreign company's organizational structure, registered to conduct marketing activities and related work. Importantly, it is not allowed to engage in profit-oriented business activities, including forming local companies, contributing to them, or acting as commercial agents or brokers. Violating these rules could result in removing its registration, fines, and liability for any losses caused to others. The foreign company holds full responsibility for any obligations arising from the representative office's activities.

## Article (253) - Approval or Rejection of the Registration

The process of approving or rejecting the registration of the representative office follows the same rules and procedures outlined in this law for other types of registrations, including publication requirements.

## Article (254) - Name of the Representative Office

The representative office is integral to the foreign company's organizational structure, registered to conduct marketing activities and related work. Importantly, it is not allowed to engage in profit-oriented business activities, including forming local companies, contributing to them, or acting as commercial agents or brokers. Violating these rules could result in removing its registration, fines, and liability for any losses caused to others. The foreign company holds full responsibility for any obligations arising from the representative office's activities.

## Article (255) - Right to Open Bank Accounts

Once the registration process is complete, the representative office has the authority to open accounts with any bank in Palestine that holds the required license according to the law.

## Article (256) - Closing the Representative Office

The closure of the representative office is governed by the provisions outlined in Article (250) of this law, which typically pertains to closing a branch of a foreign company. However, the unique nature of the representative office must be considered when applying these provisions.



## Taxation of foreign companies in Palestine

In Palestine, a new business is exempt from paying income taxes for the first five years of operation. For an additional two to twelve years, the tax rate is nominal, depending on the nature and size of the investment. Specifically, the law provides the following assurances and incentives:

1. Complete freedom to transfer funds, including initial investment, earnings, dividends, capital gains, salaries, benefits, principal and interest payments, service charges, cancellation fees, and other rewards.
2. The fixed assets of the project qualify for tax and customs exemptions if they are imported for use on the project.
3. Import duties and customs fees on replacement parts for the project are waived if their total worth doesn't exceed 15% of the total value of fixed assets imported for the project.

### Conclusion

Palestine offers a unique and attractive business environment. Foreign businesses discover a welcoming setting thanks to broad legal protections and a solid infrastructure to assist investors. Its young, well-educated workforce, strategic position, and rapidly growing tech industry add to the city's allure. Palestine is a great place to start a business because of its tax breaks, low operational expenses, and proximity to regional markets.

[Contact the Author](#)

**Mr. Amer Kurdi**

Partner  
info@kurdilaw.ps



### Related Capabilities

[Funds & Asset Management](#)