

**RECORD OF UNDERSTANDINGS
RELATING TO THE AGREEMENT BETWEEN
THE EFTA STATES AND ISRAEL**

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Import levy

1. Israel reiterates its commitment transmitted to the CONTRACTING PARTIES of the GATT, that it will reduce the level of the import levy from 2 per cent to 1 per cent not later than 31 December 1994.
2. The EFTA States and Israel agree that the application of this levy is subject to the provisions of Article 22 from the entry into force of the Agreement.

Port fee

3. Having different views regarding the compatibility of the present structure of the Israeli port charges with the requirements of the Agreement, the Parties agree that immediately after the entry into force of the Agreement, the matter will be raised in the Joint Committee in order to find a commonly acceptable solution to this issue.

Application of TAMA to goods imported into Israel

4. Israel undertakes to ensure that the purchase tax for imported goods shall be calculated on the basis of either: (a) declared wholesale price or (b) c.i.f. value plus a TAMA uplift. Registered importers will be allowed to choose between these two methods. Non-registered importers will continue to pay purchase tax on the basis of TAMA.
5. The sole criteria for obtaining the status of registered importer shall be as follows:
 - (a) The importer has imported into Israel from any and all origins, during the calendar year preceding the year in which registered status is sought, goods with total value exceeding their threshold value for the year in which such status is sought. The threshold value for each year will be as follows:

1992 - \$300,000
1993 - \$200,000
1994 - \$100,000
1995 and thereafter - \$50,000
 - (b) In the past five years, the importer has not committed a tax offence for which he is liable to imprisonment and a fine and for which, if he is a recidivist, he may be prohibited from engaging in the sale of the kind of goods with respect to which the offence was committed.

6. An importer who has previously received registered status may be removed from such status only if: (a) he has been convicted of a tax offence described in subparagraph 4 (b); or (b) during the preceding calendar year and during at least one additional year within the preceding 5 years he has failed to import goods with total value in excess of the threshold applicable to the current year.

7. Application forms will be simple and clear and will contain a provision for indicating the applicant's choice of either actual wholesale value or TAMA as the basis for assessing purchase tax. This choice, once made, will determine the importer's tax treatment for the following twelve months and may be altered at any time thereafter only on request of the importer. As from 1 January, 1995, Israel will implement a mandatory wholesale price declaration system for all registered importers.

8. Each importer may file an application for registered importer status with the district officer. The decision of the district officer will be transmitted to the importer within 21 days. In case of a positive decision, the importer will immediately be granted registered status. In case of a negative decision, the district officer will give written explanations of the reasons for rejecting the application under the conditions set forth in paragraph 4.

9. A registered importer who chooses to pay purchase tax based on actual wholesale price will be required to file a wholesale price declaration (for goods subject to purchase tax) together with his import entry. The declaration must comply with requirements of Articles 1 and 17 of the purchase tax law. Book records, periodic returns, auditing and recourse procedures applicable to importers will be the same as those applicable to domestic producers.

10. Israel will take steps to ensure that the TAMA coefficient applicable to each product does not exceed a level that reflects the actual practice of wholesalers of that product. TAMA rates will be calculated on the basis of actual wholesale price mark-up for a random sample of registered and non-registered importers.

11. Upon request of the EFTA States, Israel will provide a list of all applicable TAMA coefficients, and (if requested by the EFTA States for particular products) an explanation of the methodology by which the TAMA rates were calculated for those products. Also upon request, Israel will notify the EFTA States of any changes in the TAMA coefficients.

Import and export licensing

12. In case automatic licences are used they should be administered in a way that does not restrict trade. Such licences should in any case be issued within 14 days. On the entry into force of the Agreement the Parties further agree to provide each other with a list of items subject to automatic import licensing.

Rules of origin

13. With reference to Explanatory Note 7 of Annex I to Protocol B, it is agreed that until Israel becomes a Party of the Agreement on Implementation of Article VII of the GATT, Israel will define "customs value" in accordance with the Convention on the Valuation of Goods for Customs Purposes.

14. Israel has the intention to adhere to the GATT Agreement on Implementation of Article VII of GATT not later than five years after the entry into force of the present Agreement.

Value limits

15. The EFTA States and Israel agree that at the latest from 1 January 1997 the value limits indicated in paragraphs 1 and 2 of Article 8 of Protocol B in respect of the exporter's declaration, small packages and travellers' personal luggage shall be at the same level as those applied at that date in the Free Trade Agreements between the EFTA States and other third countries.

State monopolies

16. Article 9 of the Agreement shall apply to Liechtenstein and Switzerland with regard to state monopolies concerning salt and gunpowder and to the Icelandic monopoly on fertilizers only to the extent that these States will have to fulfil corresponding obligations under the Agreement between the EFTA States and the European Communities and their Member States on a European Economic Area.

17. Article 9 shall be applicable at the latest from 1 January 1995 in the case of the Austrian monopoly on salt.

Trade restrictions on religious or ritual grounds

18. The Parties agree that prohibitions or restrictions on imports, exports or goods in transit, justified on religious or ritual grounds, are compatible with the Agreement, provided that they are applied in conformity with the principle of national treatment, under the conditions and in accordance with the provisions laid down in Article 8 of the Agreement.

Intellectual property rights

19. In accordance with Article 15 of the Agreement, the Parties undertake to take steps to ensure:

- (a) ratification by 1 January 1995 of, adherence to and compliance with, the International Convention of 26 October 1961 for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations (Rome Convention) and to enact any requisite amending legislation to give effect to the foregoing provision;
- (b) within a period of five years after the entry into force of the Agreement, that licences, granted on grounds of non-working, shall be used to the extent necessary to supply predominantly the domestic market on reasonable commercial terms.

State aid

20. The rules on state aid and their application will be reviewed before the end of 1995, inter alia, with the aim of adjusting them to any change that might have taken place with regard to state aid in the relations between the Parties and the European Communities.

Arbitration procedure

21. The EFTA States and Israel consider that an arbitration procedure could be envisaged for disputes which cannot be settled through consultations between the Parties concerned or in the Joint Committee. Such a possibility will be further examined in the Joint Committee.

Co-operation

22. The Joint Committee may discuss possibilities and modalities to foster trade relations through co-operation in trade related matters.

DONE at Geneva, this 17th day of September 1992, in a single authentic copy in the English language which shall be deposited with the Government of Sweden. The Depositary shall transmit certified copies to all Signatories.