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DISCUSSION

Taxation and Settler Colonialism: The Palestinian Case

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Abstract In the context of settler colonialism, taxation and public revenue systems are integral to the political narratives surrounding indigenous nations and peoples. The fiscal arrangements established within these settings often manifest as asymmetrical budgetary structures and tax collection mechanisms. This paper critically examines the typology of public revenues in Palestine to elucidate the complexities of taxation and fiscal management under a settler colonial framework. Employing the theoretical lenses of critical fiscal sociology this analysis provides a nuanced understanding of the dynamics governing taxation, public revenue generation, and service provision in the occupied Palestinian territories. The study contends that external dependencies, Israeli tax control measures, and a fragmented network of service providers collectively undermine efforts to forge a socio-fiscal contract. This situation is exacerbated by declining international aid, necessitating a heightened reliance on domestic tax mobilization. The paper argues that these challenges reflect broader issues inherent in public revenue mobilization within a settler colonial setting. Furthermore, Israel's settler colonial project is facilitated by the enforced taxation policies in the oPt, which not only impede development and economic liberation but also serve as sophisticated instruments for domination that advance the hegemon's political objectives. Ultimately, this research contributes to a deeper understanding of fiscal operations within Israeli settler colonial structures and offers critical insights into the politics of taxation and revenue mobilization.

Keywords: taxation; settler colonialism; fiscal sociology; fiscal contract; clearance revenue; foreign aid

Introduction

The relationship between taxation, state formation, and governance has long been a subject of considerable academic interest. Taxation and the management of tax revenues are widely recognized as foundational pillars of the modern state, while the act of paying taxes is often regarded as a fundamental ritual of citizenship. In Western political thought, taxation serves as a critical nexus between representation and accountability, providing a framework through which citizens articulate their responsibilities and rights in relation to the state and one another (Levi, 1988). Taxation is not only a matter of political process but also of moral economy. It is therefore unsurprising that the study of taxation is frequently seen as an essential means of understanding state-society relations (Makovicky and Smith, 2020). Taxation, in this sense, offers insight into how citizens conceptualize their roles, identities, and obligations vis-à-vis the state. Despite the rich theoretical and empirical dimensions of taxation, it has remained an underexplored topic in the Palestinian context. One of the most overlooked aspects of the Oslo Accords, and its role in entrenching the settler-colonial reality in Palestine under the Palestinian Authority (PA), is the fact that the PA today is largely funded by taxes and funds collected from Palestinians themselves. The Accords institutionalized tax collection under the guise of national institutions, establishing the grounds for pervasive taxation of income and economic activity. This paper seeks to address this gap by positioning taxation as a central focus for academic inquiry in Palestine. It outlines the key themes relevant to this study and demonstrates how examining taxation can contribute to broader debates on Palestine and settler-colonialism. A primary aim of this paper is to set a precedent and open the door for further work on taxation and settler colonialism in Palestine. Therefore, an extensive component of this paper is going to be examining the existing body of knowledge in relation to the themes of taxation, governance, and settler colonialism, before exploring the fiscal affairs of the occupied Palestinian territories.

On taxation, state capacity, and settler colonialism

Joseph Schumpeter was among the earliest scholars to underscore the central importance of revenue and taxation to the functioning of the state. He famously observed that 'the extraction of tax revenue by the state has an enormous influence on economic organization, social structure, human spirit and culture, and the fate of nations' (Campbell, 1993, p. 163). Schumpeter further contended that the study of the social processes underpinning taxation and public finance – what he termed fiscal sociology – offers one of the most effective entry points for understanding society, particularly its political dimensions (Campbell, 1993, p. 163; Schumpeter, 1991). For Schumpeter, the study of taxation transcends the mere examination of budgetary data, delving into the complex relationships between historical and contemporary fiscal systems and broader social and economic structures (Musgrave, 1992, p. 90). Schumpeter's intellectual peer, Rudolf Goldscheid, advanced this argument further by asserting that patterns of public finance have always exerted a profound influence on national and social development. According to Goldscheid, tax struggles represented one of the earliest forms of class conflict, and fiscal issues played a pivotal role even in the most significant spiritual movements throughout history (Goldscheid, 1958, p. 202).

However, it was Max Weber's conception of the modern state, rather than the ideas advanced by Schumpeter or Goldscheid, that has been the dominant framework shaping scholarly interpretations of governance, state formation, and behaviour. Weber attributed the rise of the modern European representative state to the development of rational bureaucracy, emphasizing the importance of the state's organizational mechanisms over the specific functions it performed or the motivations of its governing elites (Moore, 2001, p. 399). Schumpeter critiqued Weber's focus on bureaucratic structures, arguing that it neglected the profound impact of revenue systems on shaping state policies. According to Schumpeter, the expansion of the state's 'tax apparatus' into the economy produced transformative effects, facilitating the emergence of institutional constraints on governmental power and the development of institutionalized political representation; essential foundations of liberal democracy (Moore, 2004, p. 7).

Crucially, Schumpeter contended that a nation's reliance on taxation, as opposed to alternative revenue sources, establishes a 'social contract' between the state and its citizens (Ertman 1997: 69). In such tax-based states, economic, political, social, and cultural institutions evolve in tandem, fostering both a broad tax base and a high degree of compliance. Citizens' demand for accountable and transparent governance is intimately linked to their awareness of the need to ensure that tax revenues are managed effectively (Besley and Persson, 2014, p. 118). Thus, in a tax state, the institutional and political frameworks enable a form of negotiation between the state and its citizenry, facilitating tax collection while reinforcing the legitimacy of the state itself. This symbiotic relationship underscores the intricate linkages between fiscal structures, governance, and the political economy of state-society relations.

Several distinct theoretical frameworks have surfaced to conceptualize the complexities of the study of taxation. One influential approach views taxation as a form of disciplinary power, concentrating on how state apparatuses mould individuals into self-regulating, compliant subjects of taxation (Hobson, 2004; Likhovski, 2007). Another theoretical perspective conceptualizes taxation as a contested social arena, marked by a plurality of actors, competing interests, and varying forms of capital (Gracia and Oats, 2012). A third analytical lens proposes that tax compliance emerges from a complex network of interactions involving many stakeholders and forces such as taxpayers, tax collectors, technologies, regulations, and institutions (Boll, 2014, p. 301).

Notwithstanding these theoretical frameworks, in their pivotal work on taxation and state-building in developing countries, Bräutigam et al. outline at least five prominent approaches to the political economy of taxation (Brautigam et al., 2008). First, economists focus on the structural aspects of the economy, levels of development, and the concept of 'tax effort'. Second, other scholars emphasize the role of taxpayer ideologies, values, and cultural factors in shaping compliance with state taxation demands. Third, another body of literature considers the significance of war and external threats in motivating rulers to modernize revenue bureaucracies. The fourth approach, often rooted in historical analysis, examines differences in state capacity and tax systems by interrogating political institutions. Finally, the fifth theoretical framework, the fiscal contract model, views taxation as a collective action dilemma, where rulers aim to maximize revenue while taxpayers seek to minimize payments.

While a detailed exploration of the previous frameworks is omitted here for brevity, the literature clearly demonstrates that the study of taxation in developing countries is far more complex than in developed Western contexts. Various factors contribute to this complexity, including the relative ineffectiveness of institutional structures to enforce and ensure compliance, the reliance on unearned state income, such as natural resource rents, foreign aid, or other forms of political rents, and economic systems disproportionately oriented toward agriculture rather than industrial sectors, often accompanied by pervasive informal or shadow economies (Brautigam et al., 2008). Furthermore, these nations are frequently encumbered by high levels of indebtedness and inequality and their tax systems are significantly influenced by international forces and interventions (Brautigam et al., 2008).

Taxation in developing and colonial contexts

A crucial theme in the study of taxation in developing countries is the legacy of colonial structures, which often shapes the initial design of taxation systems. Equally important, and particularly relevant to this paper, is the prevalence of unearned state income in the form of natural resource or political rents in many developing countries. In the case of Palestine, the intersection of these two themes, colonialism and unearned income, has profoundly influenced taxation practices. As scholarly discourse increasingly pivots from a state-building framework to the political economy of settler-colonialism in Palestine, the nexus between taxation and colonialism emerges as a vital lens through which to interpret and contextualize fiscal practices under settler-colonial rule (Dana and Jarbawi, 2023; Greenwald, 2024; Sabbagh-Khoury, 2023; Tartir et al., 2021).

A good departing point on theorizing these points is to borrow from Fjeldstad and Therkildsen's work explaining that colonial systems of taxation had little to do with consent and everything to do with coercion (Fjeldstad and Therkildsen, 2008, p. 129). Colonial powers differed in their own histories of developing extractive capacity, thus in the institutions that they brought with them to their colonies, and the models they offered for colonial revenue raising. At its core, however, taxation under colonialism often serves dual purposes: resource extraction and social control. Colonial powers historically utilized taxation not only to sustain the economic costs of their rule but also to reinforce social hierarchies and regulate the economic activities of colonized populations.

Colonial taxation functioned as an instrument of economic extraction, enriching the metropole at the expense of colonized societies. Works on colonial fiscal policies indicate that colonial administrations imposed taxes to offset the costs of military occupation and administration, while simultaneously securing economic benefits for the colonial power (Bush and Maltby, 2004, p. 7; Gardner, 2012). In many African colonies, the imposition of direct taxes, such as hut or poll taxes, was designed to compel participation in the colonial economy, often forcing indigenous populations into wage labour to meet tax obligations. This pattern of coercive taxation underpinned the broader colonial economic structure, reflecting a broader relationship between fiscal policy and labour exploitation (Bush and Maltby, 2004, p. 13).

Colonial states possessed near-absolute authority, allowing them to create extractive institutions that served their interests (Acemoglu et al., 2001). In the realm of fiscal policy, this power extended to determining tax rates and selecting revenue sources. Colonial administrations frequently relied on taxes such as hut, head, and poll taxes as pivotal tools to achieve a variety of governmental objectives. Crawford Young, for example, identifies the head tax as a key element in both generating revenue and solidifying colonial hegemony (Young, 1994, p. 171). Other scholars emphasize the importance of the head tax as a fundamental mechanism of control within the colonial state, viewing it as crucial to both the administration's functioning and its broader objectives of domination (Reid, 2020, p. 259). Capitation taxes played a central role in asserting the colonial state's authority, symbolizing its control over the population. Works on British colonial Africa interprets its fiscal structure as a primary instrument for maintaining cultural hegemony. The system of tax collection was integral to the colonial state's decentralized authoritarianism, which fostered corruption and abuse (Mamdani, 2001, p. 655). In this framework, the fiscal system drove an insatiable demand for revenue, leading officials at various levels to impose taxes and fees without restraint.

Colonial taxation literature has further explored forms of direct and indirect taxation. Some scholars focused on the ways in which direct taxes were used to integrate colonized populations into the formal money and wage economy. These taxes sought to 'civilize' subjects by imposing colonial bourgeois values, thereby moulding them into more governable individuals (Frankema and van Waijenburg, 2014). Colonial direct taxes targeted individuals, households, livestock, and land. While these taxes occasionally sparked resistance, they were also inefficient, as they demanded significant administrative resources to enforce and collect (Forstater, 2005; Manse, 2022, p. 423; Mkandawire, 2010). To mitigate these challenges, colonial administrations frequently relied on indigenous intermediaries to collect direct taxes. This practice served two purposes: it allowed colonial governments to reduce administrative costs while also co-opting local power structures into the colonial framework (Berry, 1993; Hopkins, 2019).

In contrast to direct taxes, indirect taxes, mainly those imposed on customs, were relatively easier to administer, as they were collected at centralized points such as points of entry and exit. The overall administrative burden associated with indirect taxation is lower, especially given the limited infrastructure and bureaucratic capacities in many colonies (Gardner, 2012; Forstater, 2005). Where direct taxes were employed, it was often out of fiscal necessity, as trade taxes alone were insufficient to fund colonial administrations (El-Eini, 1997). In some cases, even direct taxation failed to generate adequate revenue, necessitating financial support from the metropole, though this was a relatively rare occurrence and more common in settler colonies (Frankema and van Waijenburg, 2014; Lützelschwab, 2013).

Taxation in colonial settings was not merely about revenue generation but also about establishing and maintaining political control. Colonial taxation fostered economic dependency by integrating colonized regions into global capitalist systems on exploitative terms (Young and Brown, 1995, p. 39). The imposition of taxes by external powers often stripped local elites and institutions of traditional forms of authority, thereby undermining pre-existing governance structures. In the context of British India, for example, the colonial state used land revenue systems to displace local landlords and assert direct control over agrarian economies (Bagchi, 1992; Bellenoit, 2017; Julio, 2024).

Following this theoretical foundation, it becomes evident that the study of taxation and public revenues is inextricably linked to the historical processes of financing governing entities. What historical analysis reveals is that various forms of taxation, shaped by both endogenous and exogenous factors, have produced divergent outcomes, contingent upon temporal contexts. Accordingly, the subsequent sections will focus on analysing the typology of Palestinian Authority revenue and the characteristics of Taxation Under Settler Colonialism in Palestine.

The typology of PA revenue

Since the Palestinian Authority's inception, it has built a public revenue mechanism that has enabled domestic taxation and distribution of external public revenues. These taxation and public revenue policies were shaped by the parameters of the 1993 Oslo Accords, which instituted a legal framework dictating Palestinian economic activity with Israel and the rest of the world. The 'Protocol on Economic Relations' (also known as the Paris Protocol), signed in 1994, regulated matters related to trade, monetary and financial issues, taxation, labour, agriculture, industry, tourism, and insurance issues. The fiscal section of the protocol defined public revenues available to the PA. It allocated the roles and responsibilities associated with the collection of public revenues including income taxes, custom duties, value added taxes (VAT), and petroleum excises among others. The PA was accorded the right to extract direct and indirect taxes from the majority of Palestinians residing in the West Bank and Gaza. It further stipulated that Israel would remit taxes collected from Palestinians residing in the West Bank and Gaza levied from imports; purchases from Israeli markets; and Palestinian labourers working in Israel and settlements. These sums were to be remitted to the PA on a monthly basis after the deduction of 3% 'handling' fee.

Therefore, the Accords granted the PA limited capacity to extract revenues from Palestinians while, importantly, flooding its coffers with external income. Before delving into the nature of this external income, it is warranted to delineate the PA's control over its revenues. The PA's control over these revenues is limited, as they were divided into two principal categories. The first, domestic revenue, stemmed primarily from indirect taxes on goods and services, supplemented by some direct taxes on income and corporate profits, alongside other non-tax revenue streams. This domestic component, directly managed by the PA constituted roughly 35% of its total pre-foreign aid public revenue. The second, and more substantial, category of revenue was clearance revenue, which fundamentally contributed to the PA's financial base, escalating from USD 266 million in 1995 to over USD 3.1 billion by 2022 (Iqtait, 2023; PMA, 2024). Clearance revenue represented on average 65% of PA's revenue before foreign aid. Despite its importance, the Israeli government exercised full control over clearance revenue and transferred it to the PA on a monthly basis, although often with delay and deductions (Iqtait, 2023).

Tax revenue available to the PA, whether falling under its direct control, or taxed through Israel, such as clearance revenue, constituted 24% of GDP in 2022 (IMF, 2023). This places the PA firmly as one of the leading taxing entities in the Middle East and North Africa region and at bar with many developed economies. It further places enormous tax burden on Palestinians with relation to their income levels, even if factoring for absent settler colonial conditions. Between 1994 and 2023, the average annual PA public revenue growth was 12% and more than 900% increase in nominal revenue between 1995 and 2022, from USD 511 million to USD 4,400 million (IMF, 2023; Iqtait 2023).

The substantial growth in overall revenue masked a deeper issue that is the overwhelming reliance on indirect taxes. In 2022, only 6% of revenue came from income taxes, which included contributions from both public and private sector wages, as well as corporate taxation. In stark contrast, indirect taxes, whether from clearance revenue or domestic sources, accounted for approximately 82% of total revenue, while non-tax revenue, primarily from fees and charges, contributed around 10% (IMF, 2023). This distribution has remained consistent since 1995, with direct taxes averaging less than 7% of total revenue over the years (Iqtait, 2023).

The PA struggled to generate sufficient direct tax revenue despite having a lenient income tax system. It frequently modified its income tax legislation, implementing numerous reductions in taxes imposed on corporate profits and high-income individuals (Abdelkarim et al., 2015). Originally, the PA imposed substantial tax rates of 38.5% on companies and 48% on high-income brackets, however, following multiple rate reductions, these taxes were lowered to a mere 15% for both corporate profits and high-income individuals (Iqtait, 2021). The PA claims that it has established a progressive tax system intended to foster employment and incentivize investment. Nevertheless, tax collection data consistently show that the PA failed to expand the tax base or raise the proportion of direct taxes within total revenues, even with the significantly reduced tax rates. This situation also highlights the PA's incapacity to collect taxes from affluent businessmen and large corporations, owing to a complex network of loopholes and exemptions provided by the Palestinian Investment Law and occasionally facilitated by the PA's political leadership.

In addition to domestic and clearance revenues, the PA also benefitted from consistent foreign budgetary support. This external funding accounted for nearly half of all foreign aid injected into the Palestinian economy between 1995 and 2023.

Donors provided funds either directly through their agencies, indirectly via multilateral institutions such as the World Bank or United Nations agencies, or through direct contributions to the PA's budget. The World Bank, for instance, was a significant conduit for these funds, with around 80% of its disbursements representing donations from individual nations (Tartir and Wildeman, 2023). Furthermore, the United Nations Relief and Works Agency (UNRWA) received over USD 6 billion in aid between 1993 and 2016 (OECD, 2021). However, at least 48% of the total foreign aid to Palestine was absorbed by the PA's budget, which peaked in 2008 at 54% of the PA's total budget, equating to nearly USD 2 billion. On average, foreign aid accounted for 31% of the PA's total budget, which includes public revenues and foreign aid. This has declined in recent years, however (Iqtait, 2023).

Characteristics of taxation under settler colonialism in Palestine

Taxation and the ability to form fiscal contracts assumes normative functionality inherent within sovereign states, wherein governments are the sole actors responsible for levying taxes and providing public goods. However, the conceptualization of taxation predominantly anchored in such frameworks overlooks the intricacies of governance in contexts where statehood is either fragmented, constrained, or largely absent. In environments characterized by limited sovereignty, particularly in colonial settings, non-state actors frequently assume quasi-governmental roles, significantly altering the dynamics of taxation and formations of fiscal contracts that may arise. These actors, ranging from international donors and non-governmental organizations (NGOs) to religious institutions, rebel groups, and even colonial powers, contribute substantially to the provision of essential public services, often substituting or complementing the role of the state (Sacks, 2012). This is acute in Palestine, where non-state actors and external forces shape the fiscal landscape to a significant degree. A re-evaluation of taxation fiscal in this case necessitates a broader, more nuanced understanding of governance, one that incorporates the contributions of external and non-state entities, as well as the influence of colonial systems (Iqtait, 2024).

External actors, both international and local, play an indispensable role in providing public goods in the West Bank and Gaza. The proliferation of international donors, NGOs, and non-state entities, combined with Israel's entrenched settler colonialism, has rendered the Palestinian Authority a relatively weak actor in its own governance structures. Since its inception, the PA has struggled to assert its monopoly over public goods provision, with external actors often duplicating, overlapping, or even supplanting state functions.

Civil society organizations, particularly NGOs, have long been embedded in the Palestinian social fabric, providing critical services in areas neglected by the PA due to the constraints imposed by Israeli control, especially in areas classified as B and C under the Oslo Accords (Darraj, 2010). Donors, the United States Aid Agency, and the World Bank, along with organizations like the United Nations

Relief and Works Agency, have historically assumed central roles in the delivery of healthcare, education, water, and infrastructure. This fragmentation of service provision can be traced back to Israel's colonial rule, which since 1967 has systematically underinvested in centralized governance and economic infrastructure, creating a vacuum that external actors were quick to fill (Roy, 1999). As a result, public goods provision in Palestine is not solely a function of the PA, or a centralized governing body, but is instead a complex web of external and non-state actors operating under the constraints of Israeli control.

The establishment of the PA in the early 1990s was largely the product of an internationally-driven state-building project rather than an endogenous process of indigenous institution-building. From the outset, international donors and financial institutions, particularly the World Bank, played an instrumental role in the establishment of the PA's public revenue systems, prioritizing fiscal policies aligned with neoliberal economic principles (Haddad, 2016; Iqtait, 2023). Raja Khalidi aptly describes this dynamic as an 'international financial trusteeship,' in which external actors dictated the terms of Palestinian governance, particularly in the realm of economic management (Khalidi, 2005). Donors imposed neoliberal frameworks aimed at maximizing revenue, reducing fiscal deficits, and promoting economic liberalization, often at the expense of broader developmental and social objectives.

This externally-imposed institution-building process can be divided into two distinct phases. The first, coinciding with the Oslo Accords, laid the institutional foundations of the PA, while the second, under the leadership of Prime Minister Salam Fayyad (2007–2013), focused on reform and consolidation of governance structures. During this latter phase, Fayyad's institution-building and reform agenda emphasized fiscal conservatism, public sector reform, and security sector enhancement, reflecting donors' prioritization of stabilization over political development (Iqtait, 2019). Three key objectives were driving this agenda: (1) the reform of the Palestinian security apparatus, aimed at ensuring the PA's monopoly over violence under Israeli control; (2) the expansion of the PA's legitimacy through public spending and institutional investment; and (3) the promotion of economic development via governance reform and fiscal conservatism (Persson, 2018, p. 435). Notably, international donors disproportionately favoured the first objective, devoting significant resources to the security sector, which employs 44% of all civil servants (Tartir, 2017, p. 8).

The securitization of PA institution-building has had profound implications for the legitimacy of the PA. While security reform ostensibly aimed to bolster the PA's authority, it also accelerated political polarization and undermined the representative nature of Palestinian governance (Bouris, 2012, p. 267). As Alaa Tartir argues, Palestinians were effectively stripped of ownership over the institution-building process, which was designed, financed, and implemented by external actors (Tartir, 2015, p. 495). This lack of ownership, coupled with the securitization of governance, insulated the PA from its constituents and fostered an authoritarian structure disconnected from the broader political realities and the needs of Palestinian society (El Kurd, 2019). The focus on security also diverted attention away from the development of a robust fiscal contract, in which the provision of public services and representation would serve as the basis for taxation compliance. As a result, the PA's domestic legitimacy remains tenuous, with little progress made toward the development of a sustainable fiscal relationship with its citizens.

In addition to its weakened legitimacy, the PA's fiscal sustainability has been severely compromised by its structural dependency on external sources of revenue, primarily foreign aid and clearance revenues collected by Israel. Donors initially envisioned the PA as a self-sustaining entity capable of financing its activities through domestic revenue generation. However, this vision quickly faltered and donors have funded the PA's budget. Between 1996 and 2021, foreign aid accounted for approximately 30% of the PA's public revenue, a dependency that has persisted despite various donor drive reform efforts (Iqtait, 2023). Clearance revenues, on the other hand, while collected from Palestinians, fall under the complete control of Israel. From the point of view of the PA, this research argues that even they are Palestinian taxes, they are inherently external, not only because they are collected by the colonial entity but also due to the political conditionalities attached to their transfer to the PA. Israel has repeatedly withheld clearance revenues for political reasons, leveraging its control over Palestinian finances to extract political concessions from the PA. The coercive potential of clearance revenue is starkly illustrated by two withholding episodes. Between January and April 2015, following the PA's decision to join the International Criminal Court, Israel froze all transfers, forcing the PA to pay public employees just 60% of their salaries (Iqtait, 2023). More recently, clearance revenue has been subject to legal action in Israel, resulting in deductions to compensate Israeli electricity providers, satisfy court rulings, and, after October 2023, a wholesale suspension (WAFA, 2025). In each case, fiscal leverage was explicitly framed as a security instrument, demonstrating how revenue withholding functions as a tool of political discipline rather than ordinary public-finance management.

This paper positions clearance revenue and foreign aid within the broader framework of political rents. A substantial body of literature examines the implications of political rents on taxation and governance. Political rents, much like natural resource rents, represent unearned and highly fungible income streams that the state can use without engaging in taxation. Smith and Morrison liken foreign aid to oil revenues, arguing that it provides governments with a surplus of resources that can be redistributed without the need for taxation (Smith, 2008, p. 790; Morrison, 2009, p. 110). Similarly, Feyzioglu et al. demonstrate the fungibility of foreign aid, noting that aid is often used to substitute other revenue streams, including taxes, thereby relieving pressure on governments to extract domestic revenue. Their empirical analysis of 38 countries over a 20-year period found that foreign aid and concessional loans function as flexible revenue sources, freeing up funds for tax reduction and other fiscal priorities (Feyzioglu et al., 1998, p. 54). Griffin and Enos argue that political rents lead to an increase in domestic consumption while simultaneously diminishing the necessity to raise taxes

(Griffin and Enos, 1970). Moore further posits that political rents insulate the state from societal pressures, granting it a level of financial autonomy that diminishes the need for taxation (Moore, 2001, p. 404). Djankov et al. highlight that both natural resource rents and foreign aid share a critical characteristic: they allow corrupt governments to avoid unpopular taxation policies while securing revenue through less accountable means (Djankov et al., 2008, p. 171). High levels of foreign aid have been shown to reduce both the overall tax burden and the quality of governance institutions (Knack, 2001). In the Palestinian context, these dynamics have been further entrenched, as foreign aid and clearance revenues have allowed the PA to circumvent domestic taxation pressures, shifting its accountability outward towards the providers of political rents (Iqtait, 2023).

While the PA may serve as an intermediary for the distribution of these revenues, the colonial dynamic ensures that Israel, as the dominant actor, retains control over much of the fiscal landscape. Beyond its control over clearance revenues, Israel actively extracts both direct and indirect taxes from the Palestinian economy. The economic integration of the Palestinian economy with Israel, particularly in the trade sector, means that Palestinian traders are subject to a variety of taxes, including VAT and customs duties, which are collected by Israeli authorities. Additionally, Israel imposes non-tax penalties, such as fines and fees at entry points, further increasing its fiscal extraction from Palestinian economic activity (Iqtait, 2024). Palestinian imports originating outside Israel, goods worth roughly USD 3.8 billion in 2023 or 46 per cent of total imports, must pass through either Ashdod Port or the King Hussein Bridge. These consignments face charges not levied on Israeli containers: multiple off-loading stages, supplementary security screening, prolonged storage, and a range of handling and administrative fees imposed by Israeli freight forwarders. Goods routed via Jordan incur additional compulsory container-scanning fees and ‘security-service’ surcharges (Palestine Trade Center, 2013). Because invoices for these costs are issued by private forwarders rather than the Israeli customs authority, Palestinian merchants have no administrative or judicial venue in which to contest them. The opacity of the clearing process thus converts routine commercial taxation into an asymmetric mechanism of fiscal extraction.

Fiscal authority is also fragmented spatially. In Area C, the Israeli Civil Administration continues to collect land-lease fees, quarry royalties, and value-added tax directly from Palestinian residents; Areas A and B fall nominally under PA tax law; Gaza is governed by a separate Hamas tariff schedule; and most refugee camps operate under UNRWA cost-recovery mechanisms. This mosaic is less an accidental overlap than a colonial technique of ‘fiscal balkanization,’ whereby multiplying juridical regimes enables the occupying power to prevent the emergence of a single, coherent tax base capable of underwriting autonomous governance.

Taken together, the forgoing mechanisms reveal the extent to which Israel, institutionally buttressed by the Paris Protocol, retains decisive control over Palestinian public revenues. By monopolizing clearance revenues, administering its own array of direct and indirect levies, and fragmenting fiscal authority across multiple jurisdictions, the occupying power has entrenched a system of economic extraction that renders the PA financially dependent and fiscally incapacitated. This structure of dependence not only precludes the possibility of genuine fiscal autonomy but also attenuates any nascent fiscal contract between the PA and Palestinians, who recognize the PA's limited control over its own economic and political affairs (Iqtait, 2024).

Taxation under settler-colonial rule functions less as a reciprocal contract than as a machination of coercion and subjugation. Israel's selective remittance and periodic suspension of clearance revenues, augmented by its unilateral tax burdens on Palestinian trade and labour, exemplify a colonial expropriation that systematically undermines the fiscal agency of the colonized. The PA's dependence on foreign aid and clearance revenues diverts its accountability outward insulating it from the domestic pressures that typically accompany taxation. The result is a fiscal architecture designed to perpetuate dependency rather than nurture any political outcome. It is also results in a regime that enriches the colonizer, constrains the economic capacities of the colonized, and reproduces the social hierarchies characteristic of historical colonial taxation (Forstater, 2005; Frankema and van Waijenburg, 2021; Mkandawire, 2010).

Concluding remarks

The relationship between taxation and settler colonialism, as illuminated in this analysis, is not simply a matter of fiscal policy but a mechanism of control that permeates the political and economic fabrics. In Palestine, Israeli settler-colonial fiscal structure is most clearly manifested in the manipulation of tax revenues and the creation of a fiscal system designed to extract resources while simultaneously suppressing the emergence of a self-sustaining Palestinian fiscal apparatus. This is not a simple bureaucratic process; it is embedded in the broader strategy of colonial domination and enforced economic dependence, which are hallmarks of settler-colonial regimes.

Comparative experience indicates that Palestine is situated within a wider repertoire of settler-colonial fiscal logics rather than occupying an outlier position. In French Algeria, the metropolitan administration maintained a strong capacity for coercion and taxed Algerians at a high level to sustain public expenditure that was biased toward the interest of a small enclave of French settlers and firms (Cogneau et al., 2021). A comparable asymmetry structured South Africa's apartheid Bantustans, where successive administrations layered a rigorous but highly inequitable and regressive tax system on Black South Africans, even as white residents were shielded by generous exemptions and benefited from disproportionate budgetary allocations (Ndlovu, 2017). In both cases, taxation functioned simultaneously as a mechanism of material extraction and political stratification, consolidating the colonizer's territorial project while denying the colonized the fiscal foundations of self-governance. Palestine reproduces this dual logic with clearance-revenue withholdings, multi-jurisdictional tax codes, and donor-mediated rents creating a fiscal architecture that transfers value to the settler economy and foreclosing the emergence of an autonomous Palestinian tax state.

Further research is needed to fully conceptualize the relationship between taxation and settler colonialism in Palestine. The preceding analysis draws parallels with a substantial body of literature on taxation, institution-building, and fiscal practices under colonial regimes. Recent studies on taxation and settler colonialism in Canada and the United States, examine how tax imaginaries reinforce political entitlement by juxtaposing taxpayers with welfare recipients, a phenomenon Kyle Willmott describes as ‘fiscal racism’ (Willmott, 2022). However, this dynamic does not directly apply to the Palestinian context. The discussion in Palestine mostly pertains to understanding the active contours of taxation under settler colonial expansion. From the analysis presented in this paper, we know that Palestinians have borne a massive tax burden, with at least USD 50 billion extracted through the Palestinian Authority’s fiscal mechanisms alone since 1995. In this sense, Palestinian taxation operates as a mechanism that facilitates Israeli settler colonial expansion.

This paper acknowledges its limitations and suggests that future research could focus on the evolution of taxation practices from British colonial rule to Israeli settler-colonial governance. Such an endeavour would require extensive fieldwork, and the development of a comprehensive typology of fiscal laws and data related to economic extraction in historical Palestine between 1916 and 2024. While ambitious, this work would significantly contribute to the nascent field of taxation studies and, by extension, fiscal sociology in the Global South, particularly within settler-colonial and postcolonial contexts.

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No potential conflict of interest was reported by the author(s).

Notes on contributor

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