

Part I

Budget Bill for Fiscal Year 2007

Budget Bill for Fiscal Year 2007

Budget Proposal for Fiscal Year 2007 and First Appendix (Condensed)

Forecast of State Revenues and Loans for Fiscal Year 2007

Estimated Tax Benefits in Fiscal Year 2007

Budgetary Proposal for Business Enterprises - Fiscal Year 2007

Budget Bill for Fiscal Year 2007

- Definitions**
1. In this law:

“Budget Item” – A sum of money or number of salaried positions, stated in a title and marked by a double underline;

“Range of Action” – A sum of money or number of salaried position, stated in a title and marked by a dashed line;

“Plan” – A sum of money or number of salaried position stated on a line with no marking;

“Fiscal Year 2007” – The period commencing on January 1st 2007 and ending December 31st 2007;

Any other term – As defined in the Budget Principles Law – 1985 (hereinafter: “Budget Principles Law”).
- The expenditure budget and its allocation**
2. The government is permitted to make expenditures of NIS 282,864,058 thousands during fiscal year 2007. The division of this sum into parts and any part thereof into budget items, areas of operation and plans, shall be as detailed in the first column of the first supplement titled “expenditure”.
- Revenue-dependent expenditure budget**
3. In addition to all the sums that the Government is authorized to expend pursuant to Section 2, it may expend a sum of NIS 12,561,369 thousand in fiscal year 2007, as revenue-dependent expenditures. The division of this sum into parts and any part thereof into budget items, areas of operation and plans, shall be as detailed in the second column of the first supplement titled “revenue-dependent expenditure”.
- Maximum Personnel**
4. In fiscal year 2007, the Government may fill 57,543 salaried positions. The division of this number into parts and any part thereof into budget items, areas of operation and plans, shall be as detailed in the fourth column of the first supplement titled “maximum personnel”.
- Business Enterprise Budget**
5. A. In addition to the sums the Government is authorized to expend pursuant to Sections 2 and 3, it may also expend, in fiscal year 2007, the sums appearing in the first column of the second part in the second supplement (hereinafter: “Business Enterprise Budget”). The division of these sums into budget items, areas of operation and plans, shall be as detailed in that same part.

- B. In addition to the number of jobs that the Government may fill pursuant to Section 4, it may also fill 18,417 jobs in business enterprises in fiscal year 2007. The division of this number into budget items, areas of operation and plans, shall be as detailed in the third column of the second part of the Business Enterprise Budget.
- C. The revenue forecast regarding the coverage of the Business Enterprise Budget in fiscal year 2007 shall be as detailed in the first part of the second supplement.

Validation 6. This law shall become valid and effective on January 1st 2007.

Publication 7. This law shall be published in the Official Gazette of the Israeli Government within three months of its ratification.

Budget Proposal for Fiscal Year 2007

(NIS Thousands)

Summary of the first supplement	Expenditure	Revenue- Dependent Expenditure	Spending Authorization	Maximum Personnel
Grand total	282,864,058	12,561,369	59,269,469	57,543
===== Part I: Regular budget	211,245,645	11,443,942	47,984,033	57,543
Part II: Budget for development and capital account	71,618,413	1,117,427	11,285,436	
Part I: Regular budget	211,245,645	11,443,942	47,984,033	57,543
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Government and Administration	28,139,077	2,113,459	2,379,995	37,991
===== 01 President of the State	24,125	618		36
02 The Knesset ¹	419,744	2,180	10,000	475
03 Government members	92,956			
04 The Prime Minister's Office	3,366,277	82,674	31,042	757
05 Ministry of Finance	1,578,034	279,060	1,150	4,902
06 Ministry of the Interior	384,556	47,359	80,166	890
07 Ministry of Homeland Security	8,071,547	497,174	2,122,889	25,680
08 Ministry of Justice	1,936,107	568,054		3,438
09 Ministry of Foreign Affairs	1,282,295	55,425		946
11 The State Comptroller ²	213,388			544
12 Pension benefits	8,460,026	435,000		
13 Miscellaneous expenses	1,253,971	95,351	73,943	
14 Financing of political parties and the Central Elections Committee	119,817			
19 Ministry of Science Culture and Sport	700,837	20,093	43,500	72
26 Ministry of the Environmental Protection	180,700	30,471	17,305	189
68 Unit in charge of Foreign Laborers	54,697			62

¹ The Knesset's annual budget proposal is submitted for approval to the Knesset's committee by the Chairman of Knesset, and is integrated into the Budget Bill.

² The State Comptroller budget is set by the Finance Committee and is integrated into the Budget Bill. It is published separately as bounded by the Basic Law: State Comptroller.

Summary of the first supplement		Expenditure	Revenue- Dependent Expenditure	Spending Authorization	Maximum Personnel
	Defense	47,891,844	2,457,539	30,948,968	1,883
	=====	=====	=====	=====	=====
15	Ministry of Defense	47,630,805	2,403,569	30,827,402	1,739
16	Civil emergency expenses	170,235		111,566	
17	Coordination of activities in the territories	90,804	53,970	10,000	144
18	Local Authorities	4,002,500			
	=====	=====			
	Social Services	83,692,713	6,023,354	2,580,780	13,198
	=====	=====	=====	=====	=====
20	Ministry of Education	25,877,676	1,517,908	1,465,566	1,598
21	Higher Education	6,050,394			
23	Ministry of Welfare	3,355,304	1,167,512	82,060	2,208
24	Ministry of Health	16,153,260	2,843,840	173,450	8,378
27	Transfers to National Insurance	23,399,999			
25	Benefits for the Nazis' Victims	1,586,242	1,812		58
29	Ministry of Construction and Housing	213,342	3,500		583
30	Ministry of Immigrant Absorption	1,375,803	35,382	595,896	351
32	Price support	4,422,855	453,400	263,808	
46	Veterans Law	1,251,196			22
56	Commission for Equal Rights	6,642			
	Economy and Administration	7,077,563	849,590	2,074,290	3,971
	=====	=====	=====	=====	=====
33	Ministry of Agriculture and Rural Development	664,299	222,107	343,354	1,179
34	Ministry of National Infrastructures	189,112	8,508	38,869	248
35	Atomic Energy Committee	147,927			
36	Ministry of Industry, Trade and Labor	1,810,053	52,946	103,918	1,580
37	Ministry of Tourism	190,644	8,681	106,625	145

Summary of the first supplement		Expenditure	Revenue- Dependent Expenditure	Spending Authorization	Maximum Personnel
38	Support for economic sectors	1,280,967	446,005	1,424,742	
39	Ministry of Communications	47,692	448		88
40	Ministry of Transportation	461,245	60,850		498
42	Grants for construction and housing	2,123,539	53,388	274,000	
43	Israel Mapping Center	69,513	24,357	500	226
28	Maintenance of inter-city roads	146,235	300		7
54	Regulatory authorities				
44	Credit subsidies	32,450			
	=====				
45	Interest and commissions payments	35,523,000			
	=====				
	Reserves	4,886,498		10,000,000	500
	=====	=====		=====	=====
47	General reserve	4,886,498		10,000,000	500
	Part II: Development and capital account budget	71,618,413	1,117,427	11,285,436	
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	Development Budget	12,024,413	1,117,427	11,285,436	
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	Investments in Government and Administration	507,018	120,553	3,136,067	
	=====	=====	=====	=====	
51	Government Housing	35,350	64,270	889,318	
52	Police and prisons	261,029	37,278	2,072,535	
53	Court houses	162,850	1,000	66,000	
55	Treasury	47,789	18,005	108,214	
	=====				
	Investments in Social Services	3,912,369	882,423	4,573,088	
	=====	=====	=====	=====	
60	Education	543,226		453,365	
67	Health	214,692	77,423	446,137	
70	Housing	3,154,451	805000	3673586	

Summary of the first supplement		Expenditure	Revenue- Dependent Expenditure	Spending Authorization	Maximum Personnel
	Investments in various sectors of the economy	7,605,026	114,451	3,576,281	
	=====	=====	=====	=====	
58	Urban utilities for water and sewage	30,804		563,000	
73	Water works	408,829	6,000	478,429	
76	Industrial development	93,123	40,000	113,123	
78	Tourism	149,931		80,464	
79	Transport development	4,621,658	9,000	1,030,020	
83	Miscellaneous development expenses	2,300,681	59,451	1,311,245	
84	Debt repayments — principal	59,594,000			
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Forecast of State Revenues and Loans for Fiscal Year 2007

(In NIS Thousands)

2007 Budget Proposal		
	Grand total	282,864,058
	=====	=====
Part I:	Current receipts	211,245,645
Part II:	Proceeds from bonds and capital account	71,618,413
	Part I: Current receipts	211,245,645
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	Taxes and compulsory fees	180,756,235
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	Income and property taxes	99,100,000
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001	Income Tax	83,950,000
002	Value added tax on non-profit organizations and financial institutions	8,100,000
003	Betterment tax	1,500,000
004	Real estate purchasing tax	3,500,000
005	Property and Sales Tax	100,000
007	Employers tax	1,950,000
	Taxes on Expenditure	81,656,235
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011	Customs and Import Levies	2,200,000
012	VAT, including VAT on defense imports	50,856,235
013	Purchase tax	12,100,000
015	Excise tax	700,000
018	Fuel tax	10,900,000
020	Stamp duty	

		2007 Budget Proposal
024	Vehicle levies	
025	Other license fees and levies	4,900,000
	Interest and Earnings	2,575,873
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034	Interest in Foreign Currency	150,000
035	Interest in NIS	2,425,873
	Royalties	629,000
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042	Royalties from business enterprises	
043	Royalties from natural resources	189,000
044	Royalties from government-owned companies	120,000
045	Dividends from government-owned companies	320,000
	Miscellaneous revenues	1,139,000
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046	Reimbursement on account of preceding years' budget	28,000
047	Revenues from various services	850,000
050	Government asset utilization fees	205,000
048	Earmarked revenues in excess of estimate	56,000
049	Profits realized by the Bank of Israel	
	Transfer from Part II	26,145,537
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	Part II: Proceeds from bonds and capital account	71,618,413
	=====	=====
	Repayment of Government Investments and Loans	6,015,000
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051	Collection of principal in NIS	5,483,000

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053	Collection of principal in foreign currency	
076	Revenues from sale of state-owned land	532,000
	Provisions for pension and severance pay	24,700
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071	Provisions by economic units	
072	Provisions by business enterprises	10,500
073	Pension allowances — companies	14,200
	Capital revenues	2,000,000
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075	Revenues from sale of companies and banks	2,000,000
	Domestic Loans	68,209,000
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081	Loans from National Insurance Institute	12,084,000
082	Revenue from emissions and deposits	56,125,000
	Loans and Grants from Overseas	21,515,250
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900	Independence and development bonds	4,393,000
901	Less: Distribution expenses	-220,000
	Loans and Grants from the USA:	
902	-Defense	10,432,650
904	- Civilian assistance	531,600
907	- Other loans	6,378,000
908	Bank loans	
	Transfer to Part I	-26,145,537
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Estimated Tax Benefits in Fiscal Year 2007

(In NIS Millions)

Total	31,600	
Direct taxes	27,700	
Benefits paid to factors of production	2,630	
Law for the Encouragement of Capital Investments:	2,030	
- General	70	
- Foreign investors	860	
- Alternative track	1100	
Research & development, oil exploration and films	-	
Credit for shift labor	150	
Industry Encouragement Law	-	
Capital gains tax up to (excluding stock exchange)	150	
Accelerated depreciation	300	
Benefits to the capital market	13,700	
Provident funds, net:	8000	
- Benefits upon deposit		9700
- Net of taxation upon withdrawal		-1700
Advanced Learning funds	2600	
Interest income on linked assets	3700	
Interest income on unlinked assets	800	
Capital gains on stock exchange	1600	
Tax deferral on distribution of options to employees	-	
Welfare and dispersal of the population	3090	
Income tax exemption for NPOs	-	
Exemption on Ministry of Defense allowances	400	
Exemption on National Insurance allowances	1,450	
Child allowances		850
Allowances for old age and surviving relatives		500
Other allowances		100
Credit for new immigrants	40	
Credit for medical expenses	30	
Credit for welfare recipients	30	
Credit for charitable donations	160	
Benefits for the blind and disabled	200	

Credits for inhabitants of development regions		700
Credit for employers in Eilat*		80
Household Benefits (excl. child allowance exemption)	1,910	
Credits for single-parent families		80
Half credit point for women		600
Credit for children (including single-parent families)		1,200
Credit for non-working spouse		30
Miscellaneous Income Tax Benefits	690	
Exemption on gambling revenues		220
Exemption on leasing of residential apartments		350
Veterans		40
Students		60
Foreign athletes and journalists		20
Real-Estate Tax Benefits	2680	
Real-estate purchasing tax reductions		60
Land betterment tax exemption on residential apartment		2300
Limited land betterment tax on historical properties		200
Limited land betterment tax (20%)		100
Customs and VAT Department	3800	
Customs and purchase tax	850	
New immigrants		60
Returning expatriates		10
Israeli tourists		300
Motor vehicle parts (airbags and ABS)		250
Conditional exemptions for taxi's		190
Conditional exemptions for others		40
Value added tax	2950	
Fruit and vegetables		1,750
Tourism services		700
Eilat Law		500
Levies	100	

The source: The State Revenues Administration

Budgetary Proposal for Business Enterprises - Fiscal Year 2007

(In NIS Thousands)

Summary of the second supplement		Revenues Expenditure	Authorized Spending	Maximum Personnel
	Total revenues	9,778,164		
	=====	=====		
89	Prime Minister's Office and Ministry of Finance Enterprises *	339,515		
94	Government hospitals	5,813,284		
95	Jaffa and Hadera Ports	25,365		
96	The Postal Bank			
98	Israel Land Authority (ILA)	3,600,000		
	Total expenditures	9,778,164	1,394,188	18,417
	=====	=====	=====	=====
89	Prime Minister's Office and Ministry of Finance Enterprises	339,515		103
94	Government hospitals	5,813,284		17,837
95	Jaffa and Hadera Ports	25,365		5
96	The Postal Bank			
98	Israel Land Authority (ILA)	3,600,000	1,394,188	472