

State of Palestine
Decree Law No (6) of 2014 On Financial Leasing

President of the Palestinian National Authority

Having reviewed the amended Basic Law of 2003 and further amendments thereof, particularly provisions of Article 43 thereof;

And the Law of the Capital Market Authority No. 13 of 2004;

And based upon the recommendation of the Cabinet on 22/09/2011 AD;

And based upon the powers conferred on us;

And in the public interest;

And in the name of the Arab Palestinian nation;

We hereby issue the following Decree Law:

Chapter I
General Provisions

Article 1
Definitions

The following words and phrases stated in the law shall have the meanings assigned below unless stated otherwise:

Ministry: the Ministry of National Economy

Authority: the Capital Market Authority

Leased Property: any movable and immovable asset that may be used frequently provided that they remain in the same form; such property shall not include money, commercial papers or securities.

Person: any natural or legal individual.

Business Headquarters: the location where a person regularly operates a business. It shall be the person's registered address if they are a legal person, or it shall be the usual place of residence for a natural person unless proven otherwise.

Lessee: a person who acquires the right to possess and use the leased property under a lease agreement. The term includes both a lessee and a sub-lessee, unless the context indicates otherwise.

Lessor: a legal person registered in accordance with the provisions of the legislation in force whose main objectives are to exercise leasing activities under the lease agreement. This term shall not include a regular or civil company.

Supplier: a person who transfers possession of the leased property, subject to the lease agreement, to the lessor.

Lease: a transaction in which the lessor provides another person with the right to possess and use a leased property for a specific term in return for rentals.

Lease Agreement: a written contract concluded and arranged in accordance with the provisions of this law.

Supply Agreement: an agreement under which the possession of the leased property is transferred from the supplier to the lessor for the purpose of leasing.

Registry: a movable assets registry created and managed by the Ministry for the purposes of the law.

Private Movables: movables that under the applicable legislation must be registered with the competent authorities, for example vehicles, ships and aircraft.

Lease Payments: compensation paid by the lessee to the lessor in installments according to the terms of the lease agreement.

Purchase Option: an option stated in the lease agreement that allows the lessee to purchase the leased property at the end of the lease period at a specified amount agreed upon in the lease agreement.

Article 2

Sphere of Application

1. The provisions of this law shall apply to any lease of moveable assets within Palestine, or if the main headquarters of the lessee is located in Palestine, or if one of the terms of the lease agreement provides that Palestinian legislation shall apply.
2. The provisions of this law shall not apply to the relationship between the lessor and lessee unless such a relationship is created under a lease agreement according to the provisions of this law.
3. Any matter that is not provided for in this law or in the lease agreement shall be subject to the provisions of the civil law in a manner that conforms to the nature of the activity.
4. Unless otherwise stated in this law, the lease agreement shall be subject to the legislation applicable to immovable assets used as collateral security, or the legislation requiring a

general notification of the lease agreement or the asset of the lease agreement. The effect of violating the obligation shall be limited to the provisions stipulated in such legislation.

Article 3

Objectives of the Law

1. Establish a legal system to develop financial leasing services and to settle related disputes in Palestine.
2. Regulate and control lease transactions, and ensure the rights and interests of parties to the lease agreement.
3. Regulate financial leasing transactions as a tool to finance fixed assets such as machines, equipment, vehicles and land.
4. Assist small and medium enterprises with limited capital to develop and expand their business by acquiring the equipment necessary to conduct their transactions.

Article 4

Terms of Lease Agreement

1. An agreement shall be deemed a lease agreement if it collectively fulfills the following terms, regardless of whether such an agreement includes or excludes the option of purchase:
 - A. The lessee shall identify the leased property and select the supplier.
 - B. The lessee's possession of the leased property from the supplier shall be with the aim of leasing it pursuant to the lease agreement.
 - C. The lessor shall undertake to allow the lessee to benefit from the leased property against lease payments.
 - D. The lease agreement shall be in writing.
2. In the absence of any of the terms set forth in Paragraph (1) of this Article, the agreement shall no longer be deemed a financial lease and shall not be subject to the provisions of this law.

Article 5

Types of Financial Lease

As an example, the following shall be deemed financial leasing transactions and shall be subject to the provisions of this law:

1. The process of selling and leasing back whereby the supplier sells the property to the lessor and the supplier then leases it back under the provisions of this law.
2. To sub-lease whereby the lessee (sub-lessor), based on prior written approval from the

lessor, leases the leased property to a third party (sub-lessee) against lease payments. Both the sub-lessor and sub-lessee shall be deemed as a lessor and a lessee pursuant to the provisions of this law. They shall both enjoy the rights of the parties to the lease agreement and shall undertake to fulfill their obligations.

3. A subsequent lease takes the form of the lessor re-leasing the leased property to a new lessee after the termination of the lease agreement with a previous lessee.

Article 6

Freedom of Contract

The lessor and the lessee are free to determine the content of a lease agreement and may vary the provisions set forth in Chapters (II), (III) and (IV) of this law, except as provided in Articles 8 (1); 10; 12; 13; 15; 16; 22; 28; and 30 of this law.

Article 7

Control, Regulation and Supervision of Financial Leasing Transactions

For the purposes of the application of the provisions of this law, the Authority shall be tasked to carry out the following:

1. To develop policies for financial leasing.
2. To license financial leasing companies.
3. To supervise and control financial leasing businesses.
4. To regulate and develop financial leasing in Palestine.
5. The Authority shall charge fees to license financial leasing companies and the process of registering lease agreements. The amount of these fees shall be determined in accordance with a regulation to be issued for this purpose.

Chapter II

Effects of Lease Agreements

Article 8

Rights of Leased Property Possession

1. The property acquired and used by the lessee shall remain the possession of the lessor during the validity of the lease Agreement.
2. The lease contract may stipulate the transfer of property ownership to the lessee prior to the expiry of the contract, provided that the lessee fulfills all their obligations generated under the contract.

Article 9

Return of the Leased Property

If the lessee returns the leased property to the lessor for any reason, the following provisions shall be deemed valid:

1. Improvements to the property carried out by the lessee at their own expense shall remain their property, provided that they can be removed from the property without causing any damage or changes to the property's original components.
2. The lessee shall have the right to pursue compensation for the cost of improvements carried out at their own expense, provided that the lessor's approval in writing is obtained and that removing them shall not cause any damage to the property or change their form or original components.

Article 10

Rights and Remedies of the Lease Parties

The rights and remedies of the parties to the lease agreement shall be deemed enforceable against each of the following:

1. The purchaser of the property.
2. The creditors of the parties to the lease agreement, including an insolvency administrator.
3. Any person who has rights in the immovable assets associated with the leased property subject to the lease agreement.

Article 11

Sale and Mortgage of the Leased Property

The lessor shall have the right to sell or mortgage the property upon the lessee's approval, provided that such an act shall not impair any of the lessee's approved rights or benefits, or impose new obligations on the lessee. In cases of both mortgage and adjudication necessitating the lessor to pay certain sums and to sell the property at public auction, and in accordance with the provisions of the laws in force, the successful bidder shall replace the lessor in relation to all rights and obligations as per the terms and conditions of the lease.

Article 12

Bankruptcy and Liquidation of Lessor and Lessee

1. Regardless of the lessor's liquidation or bankruptcy, the lease shall remain in force and the lessee shall continue to enjoy all rights under the lease.
2. All the rights of the lessor who has undergone liquidation or bankruptcy shall be

transferred to the new lessor in accordance with the lease agreement. The new owner shall not be entitled to repossess the leased property or terminate the lease agreement unless the lessee violates their obligations.

3. If the lessee is declared bankrupt, the property shall not be included in the lessee's bankruptcy properties or deemed part of their property, and shall not be calculated in the total receivables owed to creditors. Furthermore, the bankruptcy administrator may carry on the lease until the end of the period and maintain the same terms set forth therein.

Article 13

Lessee's Rights as Beneficiary of Supply Agreement

1. The duties of the supplier under the supply agreement shall be afforded to the lessee as if the lessee were a party to that agreement and as if the leased property were supplied directly to the lessee, provided that the supplier shall not be held liable for the same damage to both the lessor and the lessee.
2. At the request of the lessee, the lessor shall provide the lessee with the available documents and information and take any other measures necessary to enable the lessee to refer to the supplier in accordance with the provisions of this paragraph. If the lessor does not do so, the lessor is deemed to be liable towards the lessee to carry out such duties.
3. The rights of the lessee under this Article with respect to a supply agreement approved by the lessee shall not be affected by a variation of any term of such agreement unless consented to by the lessee. If the lessee did not consent to such variation, the lessor is deemed to have assumed the duties of the supplier to the lessee to the extent of the variation.
4. According to the content of the paragraphs above, the supplier's obligations towards the lessee shall not be deemed as a variation of the rights and duties of the parties to the supply agreement, whether they are generated by it or not, and shall not be deemed as a source of duty to which the lessee is liable under the supply agreement.
5. When entering into the supply agreement, the lessor shall notify the supplier in writing of the lessor's intention to lease the moveable assets to be supplied and identify the features of the property in accordance with this law. The lessor shall declare the lessee's name in the notification. If the lessee is replaced, the lessor shall notify the supplier in writing with the lessee's name within thirty (30) days effective from the time when the lessor knows the name of the other lessee.
6. Nothing in this Article shall entitle the lessee to negotiate a modification, termination or rescission of the supply agreement without the consent of the lessor.

Article 14

Limits of Liability of Lessor and Lessee

1. The lessee shall be held liable for any damage that may be caused to a third party upon receipt, acquisition or utilization of the property.
2. The lessor shall not be held liable in all cases against the lessee or a third party for death,

physical injuries or any damage that may be caused to the property for any reason due to the lessor's delivery of the property, whether this happens during the process of installing, storage, maintaining or using the property, unless such an action is caused by an action or negligence of the lessor.

Article 15

Irrevocability of Duties

Without prejudice to any other duties, the lessee who provides the lessor and supplier with certain specifications shall be held fully liable for any claim or action as a result of either the lessor's or supplier's adherence to particular specifications.

Chapter III

Execution

Article 16

Foreign or Legal Person

If the lessee is a foreign or legal person, the lessee shall obtain the necessary official approval to rent or possess the leased property in accordance with the provisions of the laws in force.

Article 17

Risk of Loss

1. The lessee shall be held liable for the safety of the leased property and the consequences of any risks related to the loss, damage, misuse, exploitation of the property and/or any other risks in effect since the actual or constructive receipt of the leased property.
2. When the leased property is not delivered, is partially delivered, is delivered late or fails to conform to the supply agreement and the lessee enforces its remedies under Article 20, the supplier shall be held liable for the risk of loss.
3. Pursuant to the lease agreement and following receipt by the lessee of the leased property, the loss of the leased property or its unsuitability for use in accordance with its prescribed purposes, even if this is due to an external cause that the lessee has no control over, does not grant exemption from fulfillment of the lessee's duties and no right shall be acquired to terminate the lease agreement.

Article 18

Damage to the Leased Property

When the leased property is damaged without fault by the lessor or lessee prior to delivery to the lessee, the lessee may request an inspection and has the option either to accept the property with due compensation from the supplier for the loss in value or seek other remedies provided by this law and other relevant laws.

Article 19

Acceptance of the Leased Property

1. The following circumstances constitute the lessee's acceptance of the leased property:
 - A. If the lessee notifies the lessor in writing that the specifications of the leased property conform to the articles of the lease agreement.
 - B. If the lessee accepts the leased property after the elapse of a specified term that both parties of the lease agreement agree upon and is sufficient to carry out the inspection.
 - C. Use of the leased property.
2. If the lessee accepts the leased property in accordance with this Article (B and C), the supplier may be required to compensate the lessee for losses occurring due to any failure of the leased property to comply with the supply agreement within a specified term set forth in the lease agreement.

Article 20

Remedies

When the leased property is not delivered, is partially delivered, is delivered late or fails to conform to the lease, the lessee may demand a conforming property from the supplier and seek such other rights or remedies as are provided by law.

Article 21

Transfer of Rights and Conveyance of Duties

1. The lessor may transfer their rights and convey the duties generated under the lease agreement to a third party without the consent of the lessee. Such a transfer or conveyance shall be deemed enforceable against the lessee as of the date of notification in writing in accordance with the methods specified in the lease agreement. Such transfer or conveyance shall not impair any other rights of the lessee stated in the lease agreement or impose any other duties on the lessee.
2. The lessee may transfer their rights under the lease agreement to a new lessee pursuant to

the lessor's prior approval in writing. In this event, the following shall be entailed:

- A. The new lessee shall be liable to pay due rentals directly to the lessor in accordance with the lease agreement effective from the date of notification by the lessor's written approval of this transfer.
 - B. The new lessee shall enjoy all the rights and duties of the previous lessee unless the lessor and new lessee agree on new terms.
 - C. If the lessee transfers their rights in the leased property or any private moveable property to a new lessee in accordance with provisions of clause (A) of this paragraph, then the lessor, if ownership of the leased property or any part of it is transferred under the name of the new lessee at the competent registration authority, shall not transfer ownership of the property to the name of the previous lessee.
3. The transfer of property ownership to a third party shall not be deemed as a variation or termination of the lease agreement, but such an act shall result in the transfer of the rights and duties of the lessor specified in the lease agreement to the new lessor.

Article 22

Warranty of Quiet Possession

The lessor warrants that the possession of the property shall not be exposed to any third party's opposition, dispute or objection subject to liability and compensation.

Article 23

Warranty of Acceptance

1. The supplier shall guarantee that the purposes and usages of the leased property described in the supply agreement are consistent with the provisions of laws and/or the commercial norms and terms stated in the lease agreement.
2. Subject to the provisions of this law, this warranty is enforceable only against the supplier.

Article 24

Duties of the Lessee to Maintain and Return the Leased Property

1. The lessee shall take proper care of the property, use the property reasonably in the manner in which such properties are ordinarily used, and keep the property in the condition in which it was delivered. However, the lessee shall not be held liable for changes taking place to the leased property as a result of ordinary use.
2. If the lease agreement stipulates that the lessee shall maintain the leased property, or the

manufacturer or supplier of the property issues technical instructions for the use of the leased property, the lessee shall comply with these instructions or matters agreed upon under the lease agreement.

3. When the lease comes to an end or is terminated, the lessee, shall return the leased property to the lessor in the condition specified in paragraphs (1) and (2) of this Article, unless the lessee has exercised the right to buy the leased property or to hold the property on lease for a further period,

Chapter IV

Default and Remedy

Article 25

Cases of Default

1. The parties may, at any time, agree on the events that constitute a default or otherwise give rise to the rights and remedies specified in this chapter.
2. In the absence of agreement, default for the purposes of this law occurs when one party fails to perform a duty arising under this law or the lease agreement.

Article 26

Notices

An aggrieved party shall give the defaulting party notice of default, notice of enforcement, notice of termination and a reasonable opportunity to cure. Parties may determine the period of notice in the lease agreement, and in the absence of agreement the laws in force shall apply.

Article 27

Remedy for Damage

If default is not cured, the aggrieved party is entitled to require compensation for such damage, exclusively or in combination with other remedies provided by this law or the lease agreement, to place the aggrieved party in the position in which they would have been had all terms of the lease agreement been properly performed.

Article 28

Liquidated Damages

1. When the lease agreement stipulates that a defaulting party is to pay to the aggrieved party a specified sum or a sum computed in a specified manner for such default, the aggrieved party is entitled to receive such sum.
2. Such sum may be reduced by the court to the limits it deems appropriate if it appears it is grossly excessive in relation to the damage resulting from the default.

Article 29

Termination

1. Subject to paragraph (2) of this Article, a lease may be terminated by a decision of a competent court, or by a notice from the lessor if the lease agreement allows such an act in any of the following circumstances:
 - A. Use of the leased property in a manner contrary to the terms of the lease agreement, or use of the leased property for purposes other than those designated.
 - B. Non-payment of rentals in accordance with the terms of the lease agreement.
 - C. Failure by the lessee to maintain or redress the leased property within the terms specified in the leased agreement or within a reasonable period if they not specified, where the lease agreement or laws in force require the lessee to carry out maintenance and redress.
 - D. The leased property is grossly damaged.
 - E. Any other fundamental default of the lease agreement or laws in force.
2. The lessor shall not be entitled to terminate the lease agreement directly or by referring to the competent court without notifying the lessee by means of a judicial notice upon occurrence of one of the defaults provided in paragraph (1) of this Article, and that the lessee cease to commit such a default within ten (10) days from the day following the date of notification.
3. The lessee shall not be entitled to terminate the lease agreement unless the lessor does not permit the lessor to benefit from the leased property in accordance with Article 22, and such a termination shall not be enforceable unless the lessor is notified of this act in writing.

Article 30

Possession and Dispossession

1. After the lease agreement comes to an end or is terminated, and where the lessee has not exercised the right to purchase the leased property pursuant to the lease agreement, the lessee shall undertake to return the leased property to the lessor.

2. If the lessee does not return the leased property to the lessor in accordance with the previous paragraph, the lessor shall have the right to take possession of the leased property and to dispose of the leased property.
3. The lessor may submit a motion to the judge of summary procedures to take possession of the leased property and the judge shall issue a decision obligating the lessee to dispose of the leased property to the lessor.
4. The lessor shall not be entitled to submit a motion to the judge of summary procedures to take possession of the leased property prior to the elapse of ten (10) days from the date on which the lessee was notified a judicial notice sent by registered mail requesting the return of the leased property and the lessee has not returned it to the lessor within the period of notice.
5. The judge of summary procedures shall issue a decision to return the leased property to the lessor based on the documents submitted by the lessor in a petition within five (5) days of the date of submission of the motion to take possession of the leased property. The judge of summary procedures may order the lessor to submit a judicial guarantee or bank guarantee equal to the estimated value of the leased property as of the date of the default by the lessee of the duties stipulated in the lease agreement.
6. An urgent decision shall be deemed an enforceable writ of execution as a judicial decision in accordance with the provisions of the Execution Law in force.
7. Notwithstanding the provisions of any other law, an appeal against the decision of the judge of summary procedures to deliver the leased property to the lessor shall not hinder the execution of the decision under appeal.
8. If the lessee does not file a lawsuit or submit an appeal within the legal time limits, the judge shall cancel the judicial or bank guarantee submitted by the lessee.
9. Notwithstanding the provisions of any other law, the lessor shall not be obligated to file a lawsuit related to the urgent decision to take possession or dispose of the leased property and such a decision shall not affect the right of any party to file a substitutive case against the other party for pleas or claims under the provisions of the laws in force.

Chapter V
Registration of the Leased Property

Article 31
Private Moveable Assets and Immoveable Assets

1. The lessor shall register the leased property with the competent authorities in accordance with their nature.
2. The property subject to the lease agreement shall be registered at the competent department of land registration and shall not be subject to pre-emption and priority when transferred from the lessor to the lessee, subject to the laws on foreign possession of immoveable properties and disposal by natural persons of immoveable properties.
3. The lessee is entitled to submit a registration application provided that such an application shall include the lessor's name and shall indicate that the lessee's possession of the leased property has been acquired under the lease agreement.
4. Both the lessee and the lessor shall be exempt from any fees related to the transfer of ownership or the registration of private moveable properties and immoveable properties to the lessee pursuant to the lease agreement.
5. When the lessee exercises the option of purchasing the leased property of private immoveable or moveable properties, or when the lease agreement provides the transfer of the leased property that is the subject of the lease agreement to the lessee after the lessee has fulfilled all their obligations, the lessor shall register the leased asset in the name of the lessee within fifteen (15) days of the date of the lessee's eligibility to acquire the leased asset. If the lessor fails to do so, the lessee shall have the right to refer to the competent court to obtain a decision to transfer ownership of the leased property to the lessee.

Article 32
The Registry

1. The Ministry shall create a registry for the purpose of informing third parties of the existence of a right to a moveable property subject to a financial lease.
2. The registration of moveable properties shall be optional. The registry shall administer all data relating to moveable properties, the lessee and the lessor, and registration shall be free of charge.
3. Any person shall have the right to view the data registered in the registry.

4. Immoveable and private assets shall not be registered in the registry.
5. If the lessor has registered a notice concerning the leased property, then the lessor shall have priority over all the rights arising later in the same leased property based on the date of registration of the lease agreement and the other rights.

Chapter VI

General Provisions

Article 33

Amendment of Status

1. The provisions of this law do not apply to lease agreements entered into prior to the effective date of the law; these shall be subject to the laws in force at the time of entering into the lease agreement.
2. All financial leasing companies in operation shall amend their status in accordance with the provisions of this law during a period not exceeding six (6) months from the effective date of this law.
3. The Lands Authority, the Ministry of Transportation and the Ministry of National Economy shall issue instructions to register leased properties pursuant to the provisions of this law within six months from the effective date of this law.

Article 34

Application of Accounting Standards

1. International accounting standards shall apply to the lease agreement.
2. The Minister of Finance may issue special instructions to apply international accounting standards to lease agreements for the purposes of computing income tax and added value tax.

Article 35

Benefits and Exemptions

1. If the lessee enjoys any benefits or exemptions from tax fees, added value tax or other

taxes and fees in accordance with the laws in force, the lessor shall benefit from these exemptions as well, with the exception of exemption from income tax when the lessor imports the leased properties or purchases them for lease to the lessee pursuant to the lease agreement.

2. The lessor shall undertake to pay the fees and taxes due on the leased property on the date on which either of the following two cases occur and based on the value of the leased property on that date:
 - A. The abatement of grounds of exemption granted to the lessee pursuant to the provisions of Paragraph (1) of this Article.
 - B. The lease agreement is terminated or comes to an end without the transferral of ownership of the leased property to the lessee.
3. The Minister of Finance may issue the instructions necessary to execute the provisions of this Article.

Article 36

Repeal

Any provisions that contradict with the provisions of this Law shall be revoked.

Article 37

Regulations and Instructions

1. Based on the recommendation of the Authority, the Cabinet shall issue the regulations necessary to execute the provisions of this law.
2. The Authority shall issue the decisions and instructions necessary to execute the provisions of this law.

Article 38

This law by decision shall be introduced to the Legislative Council in the first session held for approval.

Article 39

Enforcement and Effectiveness

The competent authorities, in their capacities, shall execute the provisions of this law by a decision that shall enter into force thirty days from the date of publication in the Official Gazette.

Issued in Ramallah on 20/01/2014 AD

Mahmoud Abbas

President of State of Palestine

Chairman of the Executive Committee of

The Palestine Liberation Organization