

Ministry of Finance

Spokesperson Unit

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Press Release

2009-2010 State Budget Approved in Israeli Government by Large Majority Today

The government of Israel passed the budget proposal for 2009-2010 this morning, with 26 ministers voting in favor and four ministers voting against the proposal.

The state budget for 2009 will total ILS 316.5 billion, with the budget deficit limited to 6% of GDP. In 2010, the state budget will total ILS 321.5 billion, with the budget deficit limited to 5.5% of GDP. Beyond the 1.7% growth of the state budget provided by law, the budget will temporarily increase by an additional 1.35% each year in 2009 and 2010. The expenditure target will return to 1.7% in 2011.

Minister of Finance Dr. Yuval Steinitz expressed congratulations for the approval of the budget and thanked all employees of the Ministry of Finance for their dedicated work in the last few weeks in formulating the two-year budget for 2009-2010. Steinitz also said that the government approved the Containment and Breakthrough economic plan today. The goal of the plan is to prevent the loss of tens of thousands of additional jobs and to create growth drivers for the Israeli economy, in order to emerge from the crisis strengthened for sustainable growth. Steinitz added, "I am pleased that we have achieved our goals and reached a 'package deal' with the Manufacturers' Association and the Histadrut."

The budget proposal includes a "package deal," details of which were agreed upon with the Histadrut Labor Federation and employers' representatives. Elements of the deal include:

- Promotion of the reform in Israel's ports, electricity market, and Israel Land Administration, with the support of the Histadrut and the employers.
- Expansion of workers' rights and organized labor, through a series of legislative amendments aimed at promoting the protection of workers.
- Encouragement of employment and job creation through an increase of the Chief Scientist budget by ILS 900 million, renovation of educational institutions for ILS 400 million, and budgeting of the Investment Encouragement Law at ILS 900 million for two years.
- A reform for the prevention of issuance of false invoices, aimed at fighting against tax evasion at a volume of about ILS 6 billion annually.
- A freeze on the payment on half of the recreation pay paid to state employees for two years, freeing ILS 1.7 billion for the state.

- Establishment of an aid fund for enterprises in peripheral regions.
- Taxation measures for limited periods: a 1% increase of VAT, from 15.5% to 16.5%, for eighteen months; cancellation of the exemption from VAT on vegetables and fruits; an increase of tax ceilings for National Insurance payments for those earning ILS 38,415 to ILS 61,342; and an increase of tax rates on large, expensive, polluting vehicles, as part of "green" taxation.

In addition, the budget includes a series of important structural reforms, such as:

- Coping with the issue of illegal foreign workers, in order to create jobs for tens of thousands of Israelis.
- A reform in television broadcasting, to reduce the cost of the service for consumers and improve content quality.
- Implementation of regulation aimed at strengthening sports in Israel.
- Expansion of the supply of housing by shortening bureaucratic procedures for the approval of "evacuation-construction" projects.
- Increasing competition between health-maintenance organizations (Kupot Holim).
- Encouragement of employment of women through expanded subsidies for day-care centers.