

Taxing Energy Use 2018

Israel

This note describes the taxation of energy use in Israel. It contains the country's energy tax profiles, followed by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). The note contains four energy tax profiles for Israel:

Figure 1: Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass

Figure 2: Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, including electricity output taxes and energy use from biomass

Figure 3: Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output, including carbon emissions from biomass

Figure 4: Effective tax rates on energy in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output and carbon emissions from biomass

The main insights from the second vintage of the *Taxing Energy Use* database, including a systematic comparison of patterns of the taxation of energy use across countries, sectors and fuels are available in *Taxing Energy Use 2018* (OECD, 2018) at: <http://oe.cd/TEU2018>.

1. Energy tax profiles for Israel

Figure 1. Effective tax rates on energy use in national currency and EUR/GJ, 2015, including electricity output taxes and energy use from biomass

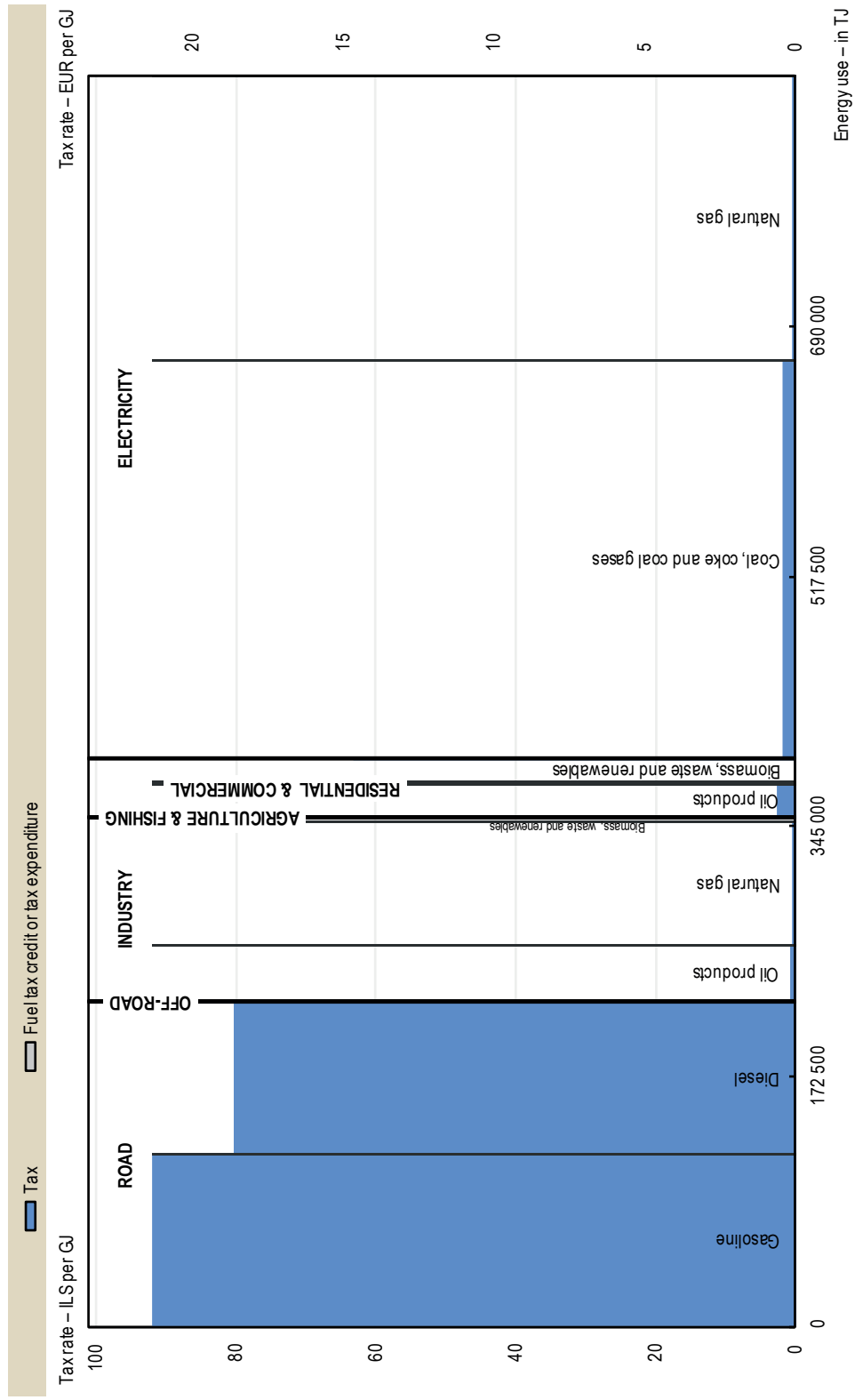


Figure 2. Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, including electricity output taxes and carbon emissions from biomass

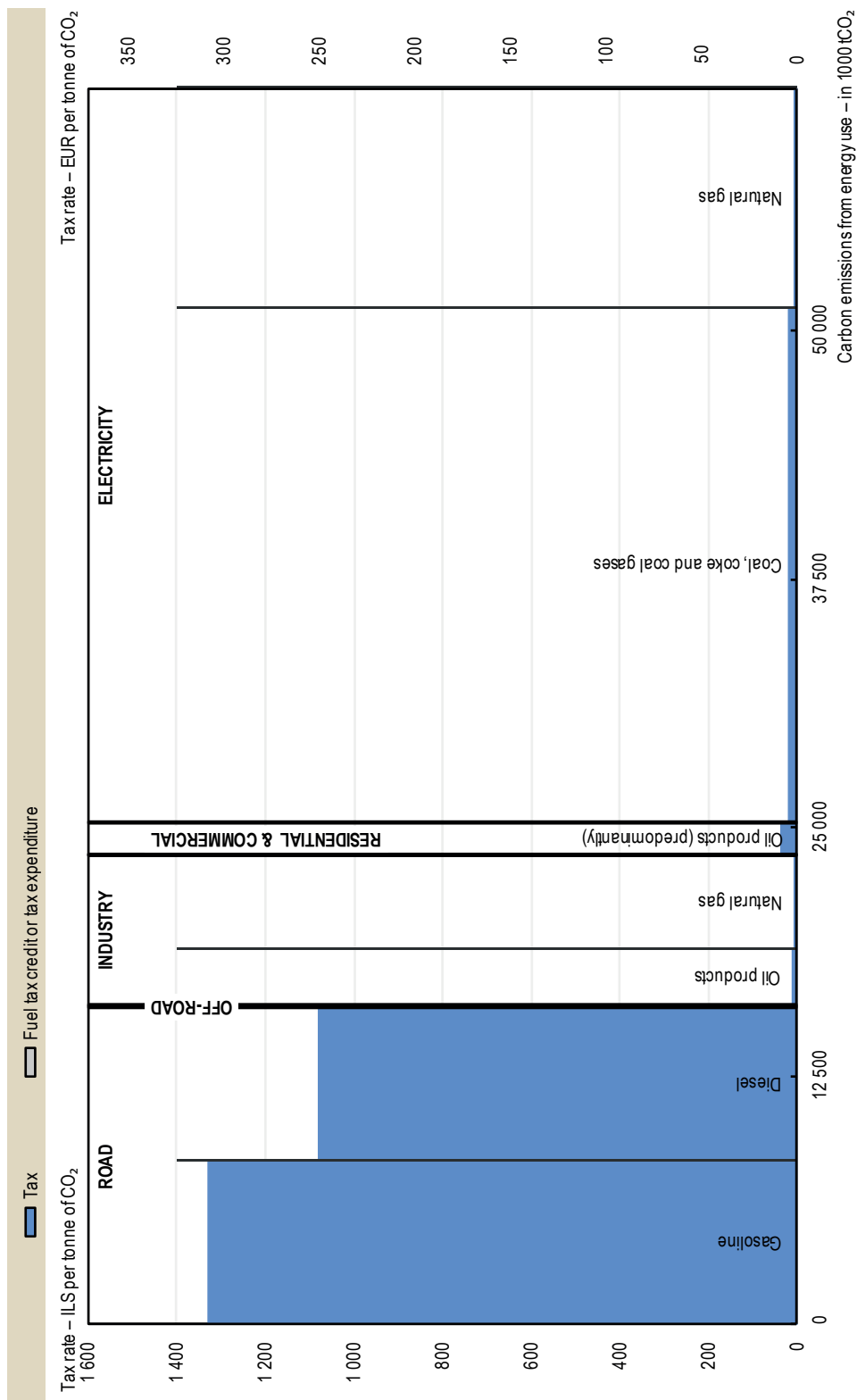


Figure 3. Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output, including carbon emissions from biomass

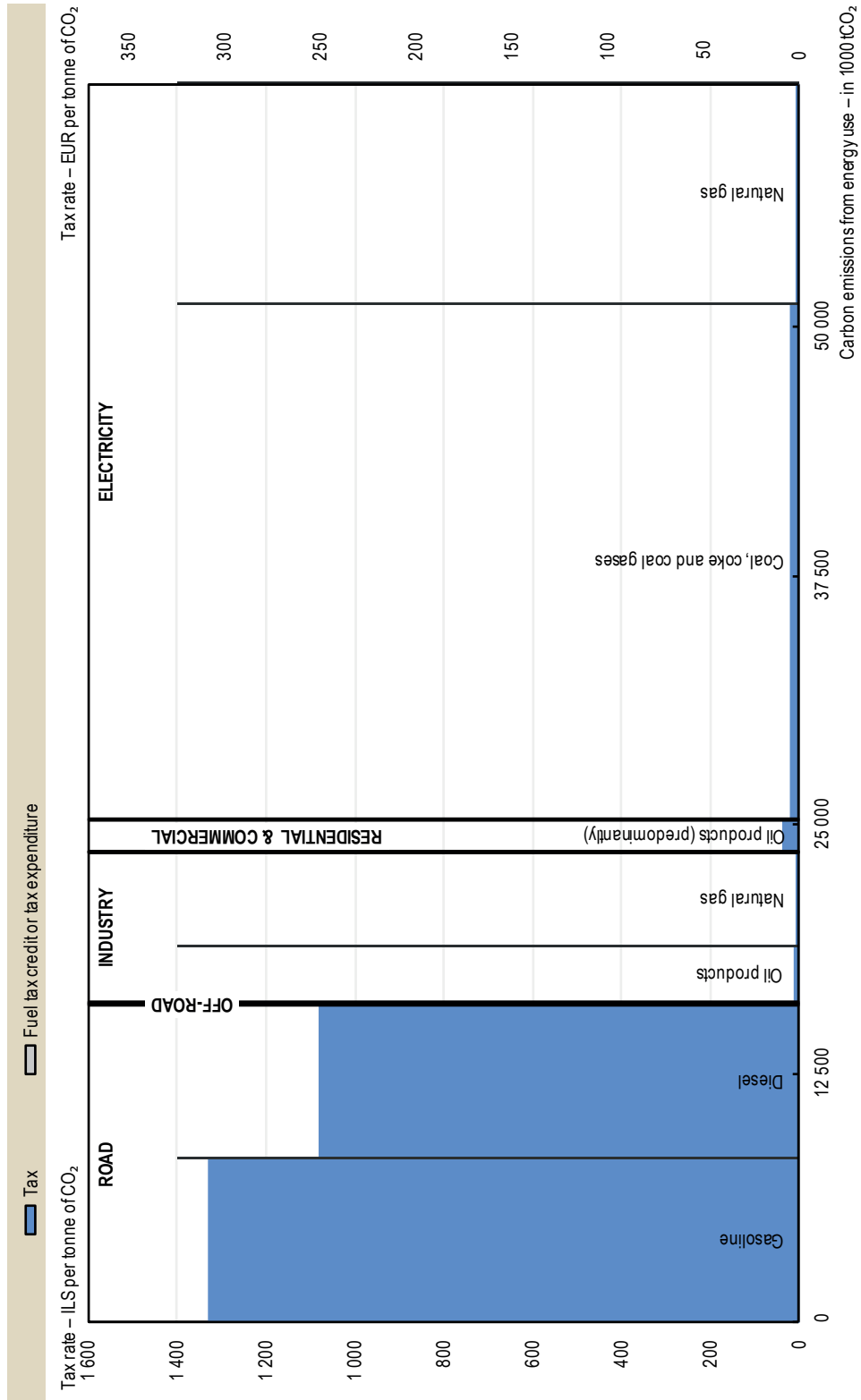
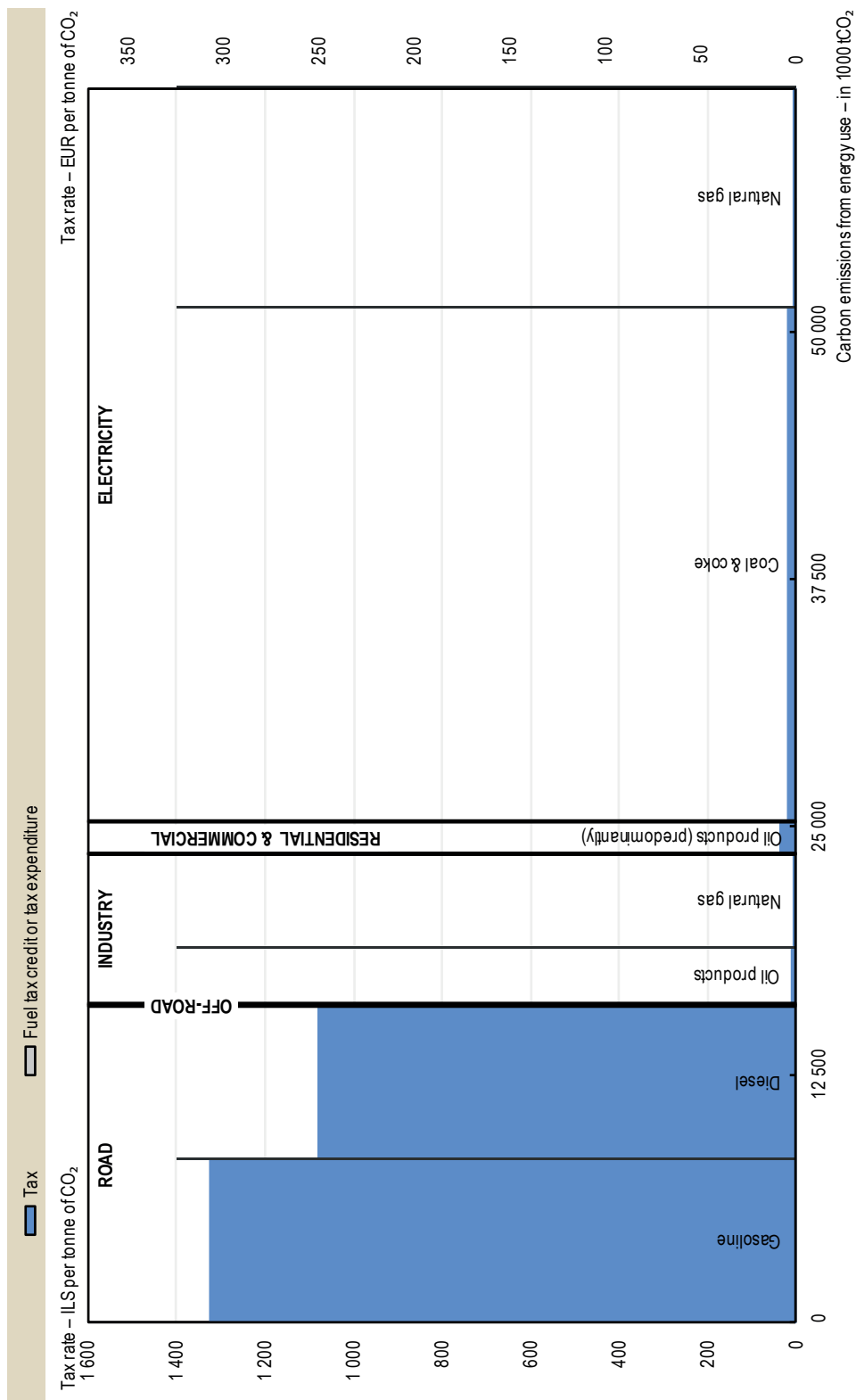


Figure 4. Effective tax rates on energy use in national currency and EUR/tCO₂, 2015, excluding taxes on electricity output and carbon emissions from biomass



2. Country-specific notes

This note describes the taxation of energy use in Israel. It contains the country's energy tax profiles, accompanied by country-specific information to complement the general discussion in *Taxing Energy Use 2018* (OECD, 2018). Tax rates are those applicable in April 2015, energy use data are for 2014.

The data shown in the energy tax profiles is from the OECD's *Taxing Energy Use* (TEU) Database. More detail on the TEU Database, the calculation of effective tax rates on energy use and the interpretation of the energy tax profiles can be found in *Taxing Energy Use 2018* (OECD, 2018).

Energy and carbon taxes

In Israel, an excise tax applies to gasoline, diesel LPG, coal, fuel oil and natural gas.

This tax is included in the energy tax profiles of Israel. The rates at which this tax applies differs across fuels and users, as described below.

Effective tax rates on energy use for different fuels and users

The tax rates on different fuels and uses are linked to Israel's energy use¹ to calculate effective tax rates on energy use (in ILS/TJ and EUR/TJ) or CO₂ emissions from energy use (in ILS/tCO₂ and EUR/tCO₂). Energy use and the CO₂ emissions associated with it are shown for six economic sectors: road transport, domestic offroad transport, industry, agriculture and fishing, residential and commercial, and electricity.

The energy tax profiles (Figures 1 and 2) for Israel show effective tax rates for different fuels and uses in terms of the fuels' energy and carbon content, respectively. Figures 1 and 2 include energy use and carbon emissions from biomass and they show output taxes on electricity. Figure 3 is identical to Figure 2, except that taxes on electricity output are excluded. Figure 4 excludes carbon emissions from biomass and taxes on electricity output.

- Of the six economic sectors, the **road** sector is taxed at the highest rates, both in terms of the fuels' energy and carbon content. Within the road sector, gasoline is taxed at the highest effective tax rate, diesel is taxed at a lower rate in terms of TJ and in terms of CO₂. LPG for road use is also taxed, but the fuel accounts for a very minor proportion of fuel use in the road sector.

Subject to being VAT registered and to meeting a minimum consumption target per year, trucks, taxis, buses and driving schools can get refund for their taxes paid on diesel (50% in the case of trucks and buses, 45.5% for others). Due to uncertainty about the amount of users making use of this provision, this refund has not been included in the data.

- Israel does not report any fuel use in **off-road** transport.
- Oil products and natural gas used in the **industry** sector are taxed, but diesel use in industry is subject to a reduced rate compared to the general rate on diesel outside of road transport. Fuel oil used in energy transformation is exempt from energy taxes.

1. Data on energy use is taken from the IEA's *Extended World Energy Balances*, see Chapter 1 of *Taxing Energy Use 2018* (OECD, 2018) for additional detail.

- Fuels used in the residential and commercial sector are mostly oil products, taxed at the standard rates.
- Fuel use in **agriculture and fishing** is taxed, but diesel use in this agriculture and fishing is taxed at a lower tax rate. However, since fuel use in this sector is almost exclusively from oil products, the effective tax rate in this sector is still relatively high compared to other non-road sectors.
- The fuels used to generate **electricity** are taxed at the same general rates as the fuels used in other sectors. Electricity output is untaxed.

Reported tax expenditures and rebates

Diesel for all uses is taxed at ILS 2928.12 per 1000 litres, but some users get a refund:

Industry and fishing users can claim a 69% refund, trucks and buses can claim a 50% refund, taxis and driving schools can claim a 45.5% refund. In 2015, ILS 3.1 billion of tax payments were refunded to all of these users, but information on the refunds to individual users has not been available.

Of these, the reduced rates in the industry and fishing sector are included in the *Taxing Energy Use* data, and it is assumed that all users have claimed these refunds. Since some small industrial and fishing users may not have claimed the refunds, the effective tax rate on diesel in these sectors might be underestimated.

In the transport sector, the diesel tax refunds are not included, due to uncertainty about the respective shares of fuel use in private and professional road transport.

Sources

The main insights from the second vintage of the *Taxing Energy Use* database are analysed in:

OECD (2018), *Taxing Energy Use 2018 – Companion to the Taxing Energy Use Database*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264289635-en>.

Apart from the general sources included in OECD (2018) and consultation with national delegates, no country-specific sources were used.