Opinions

Any Future Discussion of the Territories Must Include the Question: Who Will Bear the Costs?

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In Israeli public discourse, Judea and Samaria are commonly discussed in terms of security, identity, history, civil rights, and belief. Far more rarely is Israeli settlement there examined through the simple, non-ideological prism of state economics: who pays, how much, and who receives. An examination of direct income tax contributions versus government investment reveals a sharp, and above all exceptional, picture, even when compared to the socio-economic periphery within the Green Line.

The Israeli population in Judea and Samaria constitutes approximately 5% of Israel's total population. This is a demographic minority whose share of income tax revenue is far lower than its relative share of the population, estimated based on Israel Tax Authority data at 1.5%–2.0% of total state income tax revenues. This gap is neither accidental nor the result of discrimination or statistical failure but rather stems from a unique socio-economic structure and from costly public policy, built over many years and entrenched with almost no public budgetary debate.

Per capita income tax contribution in Judea and Samaria is estimated at NIS 4,000–6,000 per year. In the periphery within the Green Line, even in localities ranked in the lowest socio-economic clusters, the contribution is higher, standing at approximately NIS 8,000–10,000 per capita. In central Israel, it reaches NIS 18,000–20,000.

The gap becomes even more pronounced when examining data at the household level. Because the proportion of ultra-Orthodox residents in Judea and Samaria is 3.5 times higher than their share in Israel as a whole, the average family in Judea and Samaria numbers about 4.9 persons, compared to approximately 3.7 nationwide.

Income tax is levied on working individuals, not on families. Therefore, the higher the number of dependents and the lower the rate of labor force participation, the more the tax base erodes. The classification of the large ultra-Orthodox settlements, Modiin Illit and Beitar Illit, along with several smaller localities, in the lowest socio-economic clusters (1 and 2), explains why 35% of Judea and Samaria residents pay no income tax at all (compared to 20% nationwide). Conversely, due to a dramatic decline over the past decade in the proportion of secular residents in Judea and Samaria, localities ranked in the upper clusters—those that finance the system (clusters 7–10)—now contain 41% of Israel's population, but only 21% of the residents of Judea and Samaria.

According to data from the Central Bureau of Statistics, the result is an average annual contribution of approximately NIS 25,000 per household in Judea and Samaria, compared to NIS 35,000–40,000 in the periphery and about NIS 60,000 in central Israel. The gap does not stem solely from lower income levels, but also from a high rate of tax credits, part-time employment, and above all an exceptional concentration of populations in the lower socio-economic clusters, alongside significant underrepresentation of clusters 7–10 in Judea and Samaria, which form the backbone of income tax collection in Israel.

On the other side of the balance sheet lies government investment. Here, the picture is reversed. According to Ministry of Finance data, public expenditure per capita in Judea and Samaria is estimated at NIS 22,000–26,000 per year, compared to NIS 18,000–20,000 in the periphery and NIS 13,000–15,000 in central Israel. Investment per child is also significantly higher: NIS 25,000–30,000 per year per child in Judea and Samaria, compared to NIS 21,000–23,000 in the periphery and NIS 17,000–19,000 in central Israel. These are gaps of tens of percent, which cannot be explained by exceptional social needs, but rather by structural costs.

It is important to emphasize that this gap does not reflect higher-quality services. On the contrary. It results from the extreme dispersion in Judea and Samaria of outposts, farms, and tiny settlements; from the establishment and maintenance of small and expensive education systems; from long transportation routes; and from duplicated infrastructure. In other words, this is not welfare policy but a settlement policy whose price is exceptionally high.

When all the data are combined, a clear picture emerges. An average household in central Israel is in a positive or balanced fiscal position. A household in the periphery is a net consumer of public budgets, but on a scale that is familiar and tolerable in a welfare state. A household in Judea and Samaria, by contrast, receives approximately NIS 115,000–120,000 per year from the state, while contributing only about NIS 25,000 in income tax. This is a deficit of roughly NIS 90,000 per household, three times or more that of the periphery, covered by taxpayers within the Green Line.

These figures, to which many additional data not detailed here in the fields of security and economics are added, carry broad significance that extends beyond the ideological debate. Any future discussion of expanding settlement, applying sovereignty, or changing the status of the territory must also include the simple but suppressed question: who bears the cost, and who finances these policy decisions over time.

Ignoring the fiscal dimension is not neutral; it is a political choice. A state may determine priorities, but it cannot ignore the bill. In the case of Judea and Samaria, the accounting is clear: low contribution, high investment, and a sustained deviation from the balance that characterizes even other disadvantaged areas within Israel.