



Who Is A Resident of Israel Defining Residence

There are substantial clauses covering individuals. The law seeks to define an individual as a resident where the focus of his or her life is in Israel. To this end, close attention will be given to family, economic and social circumstances; these will include:

- place of permanent home, even if used temporarily by someone else;
- place of residence of the individual and the members of his or her family;
- the location of regular business dealings, place of fixed employment and location of assets and investments;
- membership of clubs, organisations and associations;
- Periods of Time

If an individual spent at least 183 days in the tax year in Israel, this would appear to indicate that the focus of his or her life during the tax year was in Israel. Alternatively, where a period of at least 30 days was spent in Israel during the fiscal year, and during the period of that tax year and the two previous ones such person spent at least 425 days in Israel, this too will be considered an indication that such person is a resident of Israel (for tax purposes). The above are not conclusive, and may be contested by both the taxpayer and the assessing officer.

In a letter (some months ago) from the Commissioner of Income Tax to the Institute of CPA's in Israel, which dealt with pre-rulings/agreement on defining residence under the tax reform, she stated the following:

"It must be emphasised that applications for recognition-for an individual-as a non-resident of Israel based on extensive/prolonged stays overseas for business, at the same time that his/her immediate family is resident in Israel, will not be granted even where the individual owns a home overseas" (translated from the Hebrew).

This would seem to impose restrictions not intended in the law and often conflicting with the reality. The examples quoted in the letter offer little clarification. The law refers, amongst others, to:

1. Location of business dealings, and financial assets and liabilities;
2. Periods of time in Israel during the tax year;
3. Focus/centre of life.

The statement quoted above in the name of the Commissioner does little to clarify matters but should be noted in planning to deal with the tax reform and its implications. We respectfully disagree with her; residence is to be determined by many factors, of which family residence is but one.