



Quotes of The Day

“ Success is walking from failure to failure
with no less enthusiasm ”

~Winston Churchill

The Law for Restricting the Use of Cash

[CLICK HERE](#) to view our summary



DOING BUSINESS IN ISRAEL

[CLICK HERE](#) for our business guide, also
presented on the PrimeGlobal website

ITA Voluntary Disclosure Procedure

DEADLINE

As the application preparation is a
lengthy process, time is running out fast.
Final applications may be submitted no
later than **December 31, 2019**.

THE TAX SEASON IS NOW! INCOME TAX REPORTS ARE DUE

With the income tax season well
underway, we strongly suggest you
submit the relevant documents and
information to us without delay

YEAR - END TAX TIPS

Some Tax-Reducing Thoughts For 2019

- ❖ Capital gains may be reduced by realized capital losses; assets\investments that reflect paper losses, and are unlikely to rise in value in the very near future, may be suitable candidates for review.
- ❖ Capital losses on securities arising in 2019 may be offset against income from dividends and interest on securities received in 2019. This includes dividends from private companies. Do examine this closely.
- ❖ Recognition for charitable contributions requires Section 46 approval, and must be made (and received) before December 31.
- ❖ Give close attention to expenses that may be deductible – business and investment (incurred January - December 2019).
- ❖ Residential rental income – on cash basis (reportable).

THE 10-YEAR TAX HOLIDAY – A COURT RULING

In the Talmi case, the court ruled that:

- Fiscal residence is a gradual process, the number of days spent in Israel is not the only factor in determining residence, and other factors may also impact.
- The “days” formula for calculating tax payable on foreign salaries or earned income may be challenged if unreasonable or where other relevant factors may impact (e.g. geographical, etc.).
- The judge indicated that the “10-year” rule is intended to facilitate the immigration of new and returning residents; this should be born in mind in defining foreign assets, thus introducing more flexibility in exempting various types of income during the exemption period.



ARE YOU REALLY A TAX RESIDENT OF ISRAEL?



In light of the recent Bar Refaeli case, attention should be given to the following:

- The days' tests may not be decisive, particularly where the "Centre of Life" is in Israel
- The "Connections to Israel" test, where material and strong
- Proof of change in residence
- The "small" details, including credit cards, car, visits to Israel and such like.
- Close examination of location of permanent home, including broader context.
- Location of professional services provided
- Ownership of assets abroad
- Payment of social security\national insurance -local\abroad
- Medical services – Local\abroad
- Activity in social and charitable organizations
- Citizenship
- Tax registration and reporting abroad
- No tax residence anywhere in the world
- These tests may be cumulative, sometimes independent and often non-conclusive and are based on court rulings and directives from the ITA.
- Professional guidance should be taken before acting hereon.

TAX PLANNING HIGHLIGHTS

• "Light refreshments" provided at the place of employment are deductible up to 80% of such expenditure. These are defined as soft or hot drinks, biscuits and such like. The ITA recently announced that following requests from the Ministry of Health, it will consider fruit and vegetables as light refreshments too.

• US charitable contributions may entitle taxpayers to a tax credit in Israel, similar in some respects to Israeli contributions; this is in accordance with the tax treaty between the two countries. However, the ITA holds that this is applicable only to US-sourced income. Thus care should be exercised before planning strategy for contributions.

• Most double tax treaties stipulate that the "first bite" (viz. preference) on capital gains tax is accorded to the taxpayer's country of residence, irrespective of the geographical location of the asset or investment, but excluding real estate. It is strongly recommended that this be closely examined each year in order to avoid the risk of double taxation.

• Investments held by Israeli residents in the US or UK may well be subject to Estate Tax on death. As taxes may be substantial, proper foreign professional counsel should be taken in order to reduce or avoid such Estate Tax burden.

Planning for the end of the tax holiday

New or returning residents who started the 10-year tax exemption period in 2009 or 2010 should already be doing serious tax planning for the post tax holiday period. Similarly the "2007 & 2008 people" may already be required to submit tax reports.