



BROIDE & CO.
Certified Public Accountants (Isr.)

Clarification of the 4-year exemption on business income for olim

Dear Client ,

We are constantly in contact with the tax authorities, particularly the international tax department, as part of our efforts to obtain clarification on the many unclear tax issues resulting from the Income Tax Reform of 2002 (effective 2003).

Following recent discussions relating to Section 14(b) of the Income Tax Ordinance-- which deals with the 4 year exemption on income from a business that existed for 5 years prior to aliya/becoming a resident for the first time, we now have clarification as to the application to professionals or service providers (eg.lawyers,accountants,architects,doctors,etc.).

The tax authorities hold that this 4-year exemption applies only to businesses, as defined, and not to professions or trades. They do indicate, however, that each case should be examined on its merits and that the activities of the "oleh" may well be construed as a business. They also indicate that the exemption will not apply to work done in Israel or to income from a business managed (run?) from Israel.

Whilst we contend that their stand is not what the legislator intended, there are certain mitigating factors which may facilitate being "construed as a business." We suggest that these matters be discussed with us at the earliest opportunity.

Chag Sameach.

Warm Regards,

Jeff
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