

### Quote of The Day

“Money, to some extent, sometimes lets you be in more interesting environments. But it can't change how many people love you or how healthy you are.”

*Karren Buffet*

“If you hear a voice within you say ‘you cannot paint’, then by all means paint, and that voice will be silenced.”

*Vincent Van Gogh*

### **Forget-Me-Nots for 2016**

- Annual payroll reports (Form 0126) by April 30<sup>th</sup> (electronic plus signed confirmation thereafter).
- Annual withholding tax reports (Forms 856, 857, etc.) on payments to subcontractors, suppliers of services, rental of premises, interest, etc. – by April 30<sup>th</sup> (electronic plus signed confirmation thereafter).
- 10% tax ‘route’ on residential income for 2015 to be reported and paid by January 30, 2016, thereafter subject to interest.
- Annual Company and Registered Partnership License renewal fees – payable by the end of February; non-receipt of renewal vouchers does not exempt you from timely payment. Payment may also be expedited on the Internet.
- Interest and linkage on tax debts – not charged (on 2015 debts) if paid by 31.01; end of February, 50% reduction; end of March, 25%.
- New withholding tax certificates and interim tax payments (mikdamot) dealt with by March.
- Annual Vat reports by exempt dealers must be submitted by January 31<sup>st</sup>.
- Financial and accounting material for preparation of personal and corporate income tax returns- to be submitted to our office by March 20th, 2016.

### 2015 Rental Income

For those of you who prefer, or have elected, to pay taxes on residential income according to the 10% “route” (see 2 below), you will require special tax payment vouchers - based on your rental income for 2015 - and these must be paid by January 30<sup>th</sup> in order to avoid paying interest and linkage on late payments.

Study the different routes hereunder and contact our office without delay if you need payment vouchers. We will be glad to clarify.

### **Income from Real Estate**

1. Rental income from residential property in Israel (individual tenants only) enjoys a tax exemption for individuals (only) up to NIS 5,070 monthly (2015). This is reduced by income which exceeds this ceiling.
2. Alternatively, you may elect to be taxed at 10% of gross rental, without any upper ceiling. If relevant, call our office now, or email us. (No Bituach Leumi payable on this “route”).
3. Where there are high maintenance or other costs (including depreciation), neither of the two alternatives may be appropriate, but rather the regular tax “route”. Where the apartment or house is used for business (not for residential) purposes, then these tax provisions do not apply. However, this route may be subject to Bituach Leumi (National Insurance).
4. Rental income from property owned outside Israel- residential or commercial- may be taxed at 15%, but excludes claiming expenses and deductions (other than depreciation) and any foreign taxes paid thereon. High costs and/or foreign taxes paid render this unattractive. The alternative is the regular tax “route”. (See 3 above.)

2016 is upon us – Tax planning is NOW!

### **There's No Time Like The Present!**



So we invite you to come in for a coffee/tea/water and a chat . . . to discuss and review business and finance matters, tax planning for 2016 and beyond, and any other matters pertinent to you and with which we can assist.

**ANONYMOUS TAX AMNESTY  
APPLICATIONS**

**Important points:**

- Expires 30.06.2016.
- Applications may be made anonymously.
- Provides **immunity** from criminal proceedings. Information included in rejected applications will also enjoy immunity (criminal and civil). Application must include disclosure of all relevant information and must be done in good faith.
- Interest and linkage and will be added to the amount of taxes payable.
- Amnesty will not apply (usually):
  - ❖ Where the ITA or other government agency has specific information or has initiated investigation procedures.
  - ❖ When income is from illegal activities.
- The regular route (not anonymous), is effective through 31.12.16.

We are available to assist with applications for voluntary disclosure and clarifications.

**In Memorium**

My close mentor and professional guide passed away recently. Henry Broide – My father. He was a special and caring person who was fortunate to live to the age of 96. HB, as I called him, was the ultimate professional, a chartered accountant who shared his many years of knowledge and experience with me, thus facilitating our firm's development and professional standards.

He was the executive partner of H. Tarley and Co, Chartered Accountants (S.A) and an ex-president of the South African Institute of Chartered Accountants. He, however, remained modest and unassuming, always stressing the importance of professionalism and hard work.

Every year or two he would conduct a "quality control" (peer) review and present us with detailed comments on areas requiring improvement.

We, at the firm, will always be ever so grateful for his contributions to the firm's success and development. We will remember him dearly.

**INCOME TAX GUIDELINES (SHORT SUMMARY)  
FOR NEW IMMIGRANTS/NEW RESIDENTS/RETURNING  
RESIDENTS**

1. Exemption from Income Tax on income - from investments/assets held outside Israel - for a period of ten years:
  - Interest
  - dividends
  - royalties
  - property rental
  - pension
  - capital gains
2. Exemption from Income Tax on interest earned on foreign currency deposits - held with banks in Israel - for a period of twenty years from first becoming resident. Various conditions apply here:
  - Deposit period of at least three months
  - Monies deposited owned prior to becoming resident.
  - Interest income is not of 'business' nature.
  - The deposit was not used as a loan, or security for a loan, by the bank to a related party.
  - Monies deposited within 90 days of receipt of funds in Israel.
  - Appropriate declaration made to bank within 14 days of opening the account.
3. Income - from a business, profession/trade, or salary earned (not merely received) outside Israel - will be exempt from Income Tax for ten years from the date of immigration or return.
4. Foreign corporations or similar-type entities - managed and/or controlled by new immigrants/residents - will not be considered tax-resident in Israel only as a result of their "transfer" and, therefore, will generally not be taxable for a period of ten years. (Here too, the exemption applies to foreign-sourced income only.)

**Trusts**

Generally, the trust will assume the tax status of the grantor or settlor and, thus, may also enjoy new resident benefits, as above. (See website on taxation of trusts.) Beneficiaries may be subject to tax on trusts settled from August 1<sup>st</sup>, 2013, unless they are within the "10 -year tax holiday".

**Submitting Income Tax Reports**

There is no legal requirement to submit Income Tax reports (nor report thereon) on the above exempt income and assets for a period of ten years (not applicable to Israel-sourced income and assets).

**Appropriate planning before aliya or return, and before the expiry of the 10 years, is recommended.**