

QUOTES OF THE DAY

“Not everything that can be counted counts, and not everything that counts can be counted”

-Albert Einstein

“It’s not the employed who pays the wages. Employers only handle the money. It’s the customer who pays the wages”

-Henry Ford

PLANNING FOR THE END OF THE TAX HOLIDAY

New or returning residents who started the 10-year tax exemption period in 2007 should already be doing serious tax planning for the post tax holiday period. Similarly the “2008 people” should begin planning in the near future.

2016 PERSONAL INCOME TAX RETURN CHECKLIST

With the Income Tax season now in full swing, herewith the firm’s Income Tax checklist for 2016, which we request you follow closely and submit the relevant documents and information to us without delay.

[Click Here](#)

Taxation of Trusts in Israel

[Click Here](#)

Income tax Guidelines for new immigrants/new residents/returning residents

[Click here](#)

TAX HEADLINES

- ❖ Shareholders’ loan accounts exceeding NIS 100,000 over the last 2 tax years will be taxed unless repaid within a year of the tax year end when such loans were taken or amounts withdrawn. This applies to shareholders who own at least 10% of the equity. Such amounts may be taxed as salaries, business income or dividends, depending on the circumstances. Taxation of shareholder loans at December 31st, 2016 may be avoided by repayment by December 31, 2017.
- ❖ Dividends distributed by “material” (viz. 10% or more of equity) shareholders from accumulated profits at 31st December 2016 and paid between January-September 2017, will enjoy a reduced tax rate of 25% - (instead of 30% + the 3% surcharge). This is subject to certain restrictions including that income from salary, management fees, linkage differences or interest and other payments made in the years 2017-2019 to the recipients of the dividend, is not less than the average paid in 2015 and 2016.
- ❖ Corporate tax will be 24% (currently 25%) in 2017, and reduced further to 23% in 2018. Taxes on individuals will be reduced for middle and upper middle income (earned) groups but the 2% surcharge on higher income has been increased from 2% to 3% and will now apply to annual income of NIS 640,000 or more.
- ❖ The new “multi apartment tax” of 1% (but not exceeding NIS 18,000 per annum) is effective as of 2017, applies to owners of 3 or more apartments and will be calculated on the cheaper of the apartments. Certain provisions of this law govern the definitions of ownership, reductions in the tax and tax benefits on the sale of the 3rd or additional apartments and where the sale proceeds are invested in special pension/provident funds.

2016 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 2016 - and these must be paid by January 30th 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 (2016). 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).

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.)

Forget-Me-Nots for 2017

- Annual payroll reports (Form 0126) by April 30th (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 30th (electronic plus signed confirmation thereafter).
- 10% tax ‘route’ on residential income for 2016 to be reported and paid by January 30, 2017, 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 2016 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 31st.
- Financial and accounting material for preparation of personal and corporate income tax returns for 2017 - to be submitted to our office by March 31st, 2017.(Early preparation and submission)

BITUACH LEUMI SAVINGS PLAN

The BTL has a useful online registration for the saving plan. From an Israeli point of view there is no difference if you choose a savings plan or a kupa Gemel – income tax if applicable will be deducted at source when funds are withdrawn from these accounts. There may be a foreign tax issue on which counsel should be taken with foreign tax professionals.

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 tax planning for 2017 and beyond, and any other matters pertinent to you and with which we can assist. We really would like to meet with you personally, not technologically.