



Broide & Co.

43A Emek Refaim St. - POB 8240, Jerusalem 91081

Tel: 5611323 - Fax: 5669555

Email: cpa@broide.com

NEWSFLASH

Reduced rates of Income Tax will apply to certain immigrants, as categorised below. These rates apply to income from foreign securities and receivable by individuals only.

- Interest - 15%
- Dividend - 25%
- Capital gain - 15%

[The Income Tax rate on interest on deposits held with foreign banks, and on income from real estate owned overseas, remains unchanged.]

The following categories of immigrant will be entitled to these special rates:

An individual who originally became a resident of Israel, and is not entitled to a tax exemption on the income from foreign securities, and one of the following applies:

1. More than twenty years have not elapsed since first becoming a resident of Israel.
2. At the time of first becoming resident, such person was 40 years of age and was sixty or more years old at January 1, 2003.
3. On becoming 60 years of age, after January 1, 2003.

Note: Foreign taxes paid may, generally, be offset against taxes payable in Israel.

Provisions Governing New Immigrants/Returning Residents - Unchanged

1. Exempt on passive income from assets held prior to immigration for a period of five years from the time first became resident. (Business income specifically excluded - see 2 below).

Where resident more than five years in Israel, but less than ten years, at January 1, 2003, then a one-year exemption will be granted for 2003.

2. Exempt on income from a business held/owned for at least five years prior to immigration - for a period of four years from first becoming resident.
3. Returning resident, viz. individual who was not resident in Israel for at least three years - exempt on passive income from assets acquired while not resident.

4. Pension received by immigrant from overseas (in respect to foreign work/employment) will be subject to tax at the same rate payable in country where recipient was resident.
5. New resident/returning resident, as in 1 and 3 above, will be exempt from Capital Gains Tax for ten years from date of immigration/residence/returning held prior to immigration or returning, as applicable. (After the ten-year period, tax payable will be proportionate to period held.)

National Insurance (Bituach Leumi)

Investment income from interest and dividends is exempt from National Insurance for 2003 (subject to extensions). Capital gains too are exempt.