DO YOU HAVE TO REPORT ON FOREIGN INCOME IN ISRAEL?

		Pre-2007	2007 Onwards
		New Immigrants/New and	New Immigrants and New and
Type of Income/Asset	**Veteran Resident/Immigrant**	**Returning Residents (4)**	**Returning Residents (4)**
Interest (7)	X	Exempt for first 5 years	Exempt for first 10 years
Dividends (7)	X	Exempt for first 5 years	Exempt for first 10 years
Royalties (7)	X	Exempt for first 5 years	Exempt for first 10 years
Property Rental (7)	X	Exempt for first 5 years	Exempt for first 10 years
Pensions (7)	X	Exempt for first 5 years	Exempt for first 10 years
Business Income	X	Report as exempt income for first 4 years (new residents only)	Exempt for first 10 years
Capital Gains (7)	X	Exempt for first 10 years (4)	Exempt for first 10 years
Israel-resident Trust (1)	X	X	Exempt for first 10 years
Foreign Corporation - material Shareholder	X	X (May be exempt in certain circumstances)	Exempt for first 10 years
Foreign Corporation - management and control in Israel	X	X	Exempt for first 10 years
Foreign Assets - periodic Asset Declaration (2)	X	X	Exempt for first 10 years
Reporting on Tax Planning (5)	X	X	Exempt for first 10 years
Abridged Tax Reports	X	X	Exempt for first 10 years

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(See attached notes)

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NOTES

1. Trusts are generally taxable as of 2006, but subject to numerous conditions; certain non-discretionary and other trusts may be taxable before this date.

2. Taxpayers are required periodically to submit a report on assets and liabilities (at the discretion of the Assessing Officer).

3. As of 2007, exemption includes income from business, profession, trade or salary earned outside Israel.

4. Prior to 2007, the exemptions applied to assets held overseas prior to becoming new or returning residents; the new provisions (effective from 2007) no longer include this restriction.

5. A person liable to report on tax planning (aggressive tax planning in tax vernacular) may have to submit a tax return in certain situations, even where the various types of income are exempt. These include equity holdings in non-treaty countries, material holdings in treaty countries, sale of assets to related parties, and numerous other.

6. In certain situations - where passive income for the year does not exceed NIS 287,000, or where foreign assets or bank deposits do not exceed NIS 1,579,000, the taxpayer may submit the much-abridged report. (Taxes payable thereon with no deductions or tax credits allowed.)

7. Where the passive income or pension income does not exceed NIS 287,000 for the year, and no additional Income Tax is payable, the taxpayer may be exempt from submitting the Income Tax report. Similarly, where income from sale of securities does not exceed NIS 1,579,000, and no additional taxes are due.

Attention must be given to the Bituach Leumi (National Insurance) implications on the various types of income. The Income Tax exemption is not always accompanied by a Bituach Leumi exemption.