

INCOME TAX ALERT

10-Year "Tax Haven" for New Immigrants and Returning Residents

As part of a new effort to encourage immigration and the return of "ex-Israelis", the Knesset has approved material changes to the Income Tax Laws, which provide substantial Income Tax relief, effective as of January 1, 2007. Hereunder the highlights:

- Exemption from Income Tax on passive income - i.e. interest, dividends, pensions, royalties, rental and capital gains from foreign sources - for a period of ten years from the date of immigration or return (including income from sources/assets not held at time of immigration or return).
- Exemption from Income Tax on income from a business, profession/trade or salary earned outside Israel, for a period of ten years from the date of immigration or return.
- These provisions will apply to "New Immigrants/Residents" and "Returning Residents" who resided outside the country at least ten years; however, for those who return/ed in 2007 - 2009, a period of tax residence outside Israel of five years will suffice to enjoy these exemptions.
- "Tax Residence" may be postponed by a year from immigration by special request (within 90 days) but will constitute part of 10-year period.
- Foreign corporations or similar-type legal entities - managed and/or controlled by new immigrants or returning 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.)
- There is no legal requirement to submit tax reports on the above exempt income and assets. (not applicable to Israel-sourced income and assets)

This "Alert" is prepared for the information of clients and associates. Whilst every care has been taken in compilation, no responsibility can be accepted for inaccuracies or errors. It is recommended that specific professional advice be sought before any action is taken.

See website for information relating to new immigrants/residents and returning residents:
www.broide.com/updates/Guidelines_for_new_immigrants_and_new_residents.pdf

Shanah Tovah U'Metuka!

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