



BROIDE & CO.
Certified Public Accountants (Isr.)

Israeli Trust Tax Alert

10 Highlights

- Foreign-registered trusts may be subject to taxes in Israel; do review with care!
- The tax status of the Settlor/Grantor (amongst others) determines the residence of the trust. A settlor/grantor includes any person or entity which transfers assets to the trust. (There may be more than one settlor/grantor.)
- Control (direct or indirect) of the trust may render the “controller” a settlor or grantor of the trust.
- If the settlor/grantor is considered Israel-resident, then the trust will generally be taxable in Israel, irrespective of the source of the income.
- An arrangement, whereby a trustee holds assets for a beneficiary, may be defined as a trust, even where not formally established under Trust Law, locally or abroad.
- Under certain conditions, the settlor/grantor may report to the Tax Authority (and thus be the taxable entity) and not the trustees.
- Where all the beneficiaries of a trust are foreign, and subject to satisfying various conditions, a trust settled by an Israeli resident may not be taxable in Israel; it is, however, required to report.
- Even where an Israel-resident beneficiary is not obligated to report receipt of a distribution from a trust, there is a requirement to report on distributions ‘in-kind’.
- The income of an underlying company held by a trust will generally be taxed as trust income. (The assets of the company are deemed those of the trust.)
- Where the trust is foreign, local income will be taxed (or exempt) according to the regulations governing taxation of foreign persons in Israel.

These are merely highlights of certain aspects of the Tax Laws pertaining to taxation of trusts in Israel, and are intended for reference purposes only. For more information, see our website articles on “Taxation of Trusts”.

Whilst every care has been taken in compilation, no responsibility can be accepted for inaccuracies or errors. Changes in the Law or practice occur periodically; it is recommended that specific professional advice be sought before any action is taken.

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43a Emek Refaim St.
P.O. Box 8240
Jerusalem 91081
Tel. 972-2-5611323
Fax. 972-2-5669555

www.broide.com