



# SHEKEL

## The Broide & Co. Newsletter

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### Quote of The Day

"The difference between genius and stupidity is . . . . .  
genius has its limits." (Albert Einstein)

[With thanks to GN Israel . . . Anglo Saxon Ra'anana]

### Pleasing Customers

- Teach employees to answer the phone with smiles on their faces. Phone experts say that customers will hear the smile in the employees' voices.
- Hire people who love people.
- Require that employees speak clearly and slowly enough to be understood, especially on the phone. Nothing turns off customers more quickly than impatient, sullen or indifferent employees.
- Make sure employees have a thorough understanding of your products and services so they can answer customer questions.
- Give employees leeway to meet customer needs. Does a vegetarian in your restaurant want a meatless meal? Be sure waiters know they can make substitutions.  
By "Score" - Counselors to America's Small Business"

### Deducting Certain Expenses

Parking expenses (not at the regular place of work) are to be treated as part of the regular car expenses and deducted accordingly.

Expenses incurred on refreshments (coffee, tea, soft drinks, biscuits, 'light' foods, etc.) at the 'business premises' are deductible up to 80% of the amounts expended, and this in relation to business visitors only. Thus, meals are excluded, as are refreshments, for employees.

Local hotel expenses are not deductible if the accommodation is less than 100 km from the regular business location or from home (unless the Assessing Officer grants special approval). Where such hotel expenses are deductible for tax purposes, they are subject to the stipulated rates.

Expenses on clothing are fully deductible where their sole use is for purposes of work - overall, gown, helmet, etc.; where the work clothes may also be used for other purposes, but are closely identified with the business (uniforms, clothing with representative trademarks, etc.) or are legally required, then they will be 80% deductible for Income Tax purposes.

Telephone expenses incurred - where the office or practice is run from home - are deductible for Income Tax purposes, as follows:

- a. 80% of the expenses, not exceeding NIS 19,700 per annum, with a minimum of NIS 2,000 per annum not allowable.
- b. Where the expenses exceed NIS 19,700, then that portion that exceeds NIS 3,900 per annum.

The above is applicable where the home is the main 'place of activity' and relates to the owner or major shareholder.

Overseas calls are deductible, conditional on proper records being kept, and even where the office or practice is not 'run' from the home.

All the above expenses are subject to the provisions governing 'hotzaot odot' - tax advances - on certain non-deductible expenses.

### Mobile phone expenses

Employees are taxable on the 'benefit' of mobile phones provided by the employers (lower of NIS 85 monthly or half of the actual expenses per 'mobile'). A similar amount is not deductible for self-employed taxpayers.

### Review of Business Structure

Clients should periodically review their choice of business entity, namely sole proprietorship, limited or unlimited partnership, regular or family/transparent company. Factors to consider include changes in tax or other laws, and business changes (such as new products or services, changes in ownership or location). Choice of entity must recognize that a structure that has served well in the past may no longer do so, as a result of change.

### Charitable Contributions - Proper Receipts

(Internal Directive 3/2001 of the Netzivut)

- a. Originals (copies not accepted).
- b. "Donation" printed on receipt (distinct from where service/benefit provided).
- c. Note - "the institution has Income Tax approval for donations under Sec. 46 of the Income Tax Ordinance".
- d. Details of organization - name and registration number.
- e. Method of payment - cash, cheque, credit, stop-order.
- f. Date of maturity.
- g. Name of taxpayer/donor.

## Staying On Top

- Retain cautious optimism;
- Develop creative and aggressive marketing strategies;
- Monitor budgets very closely and continuously (and you should have a budget);
- Discard any "wait and see" or "put on hold" approaches to running your business or practice;
- Re-think your business or practice - e.g. what exactly are you selling and what do your clients/customers/patients really want;
- Think and act positive, no matter how difficult; the business world does not tolerate negative signals! Nor do customers or clients.

## Registration of Company Motor Vehicles in the Name of the Driver

The Income Tax authorities have recently issued a directive, indicating that the 14-year old practice of registering company vehicles in the name of the driver/user - at the vehicle registration office - is no longer acceptable. This practice developed, generally speaking, in order to overcome the lower resale value of corporate vehicles, and often was used by major shareholders in the purchase of private vehicles. The formal procedure invariably included minutes of the directors' meeting approving the purchase, and a declaration to this effect by the parties. Thereafter, the vehicle was included in the company assets.

The Institute of CPA's in Israel has challenged this ruling, which was due to come into effect as of September 1, 2007. We will monitor this closely.

Whilst on the subject of cars, do note that the taxable value of the use of private vehicles is moving upwards continuously; this merits evaluation of the pros and cons of utilizing a "company" car.

## Proper Tax Planning

The issue of protection against criminal proceedings, in the wake of tax planning which the tax authorities dispute, has been the subject of a number of Court cases in recent years. A rather definitive ruling by the Judge in the 'Promedico' case clarifies the matter; the Court held that, in order to base the defence on a professional opinion in criminal proceedings, such opinion must be provided by an authoritative source, after full disclosure of the facts to such consultant; in addition, the opinion must be reasonable, sound and professional.

These are matters of the utmost importance in tax planning. Furthermore, full disclosure of the facts in the annual tax reports may be considered prima facie evidence of good intent. As of 2007, special provisions govern reporting on aggressive tax planning, as defined. (Refer to our website.)

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## 5 Tips to Set Priorities

Use a paper-based, electronic or computerized list to keep track of your tasks, instead of relying on your memory. A list will give you a clear idea of what you need to accomplish.

- Which tasks could you handle another day? If you would face no consequences by moving a task forward, move it ahead another day or another week.
- Know the difference between important and urgent. Important means a task needs to be done, while urgent means it must be done immediately. Knowing the difference between the two will make prioritizing easier.
- Realize that you can't do everything. This will help you to realistically prioritize your tasks.
- Determine if postponing the task would affect other projects you are working on. Tasks and projects can have a domino effect. If you do one task, yet fail to do another, you may have wasted effort on the first task. By "Score" - Counselors to America's Small Business



*May we take this opportunity to*

*Tovah Tikateivu* *A*  
*year of health, happiness,*  
*prosperity, peace and security,*  
*fulfillment, and just lots of*  
*!*

This newsletter 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. Clients are also advised that changes in the Law or practice occur periodically; it is recommended that specific professional advice be sought before any action is taken.