



SHEKEL

The Broide & Co. Newsletter

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Quote of The Day

"Only 7% of communication is what we say - the rest is how we say it. Pitch, volume and rhythm carry 38% of a message, while body language, facial expressions and eye movement account for a whopping 55%. (Cyrus Parivar - from "Louder than Words" by A. Barbouer)

Planning for 2008

With 2008 upon us, what more opportune time to begin business, financial and tax planning for 2008. Planning is an ongoing activity, not a year-end crisis, and requires careful evaluation after review of all the data, financial and otherwise. Forecasts and budgets are an integral part of planning, both for your business or practice, and personally too. Our team is available and glad to assist.

Take A Close Look at Your Non-Profits

A. The Duties of the Audit Committee (or Audit Body)

In June of this year, new amendments to the Law of Amutot were approved, which impact strongly on non-profits; these include:

1. Examining the proper functioning of the amutah and its organs ("institutions"), including conformity with aims.
2. Examining the efficient and budgetary (financial) achievement of aims/goals.
3. Monitoring the implementation of decisions of the general assembly (meeting) and executive committee.
4. Suggesting ways of correcting deficiencies in the management of the amutah.
5. Examining the financial matters of the amutah, its books of account and payroll payments, including the use of funds for furthering the aims of the amutah.
6. Examination of any other topic related to the activities of the amutah.
7. Presentation of conclusions - following the above examination and review - to the executive committee and annual general meeting of the amutah.

B. Report of the Executive Committee

1. This will be submitted annually, with the financial statements (applicable from 2007 reports).
2. Details required include:
 - main activities for advancing aims during the year, including reference to data in the financial statements;
 - description of the organisation chart, including names of office-holders;
 - details of "related party" organisations;
 - main use of donations during the year;
 - costs of collecting donations;
 - details of transfers of monies and assets - without compensation - not within the framework of the aims of the amutah;
 - details of property transactions;
 - details of transactions with related parties;
 - any demand from an authorised outside party to correct deficiencies;
 - irregular events, including resignation of CEO, material changes in the "target" audience/group or areas of activity;
 - details of the geographical spread of the activities;
 - any material matter that occurred in the year under review;
 - any updates in the above from changes between the year-end and the date of presenting this report to the annual general meeting.

Do note that this is abridged to some extent, and is based on the Hebrew original.

Rental Income - Residential Real Estate

1. Rental income from residential property in Israel (individual tenants only) enjoys a tax exemption of individuals (only) up to NIS 4,200 monthly (approx.)
2. Alternatively, you may elect to be taxed at 10% of gross rental, without any upper ceiling. **This route is now conditional on the taxes (viz. 10% of gross rental) being paid within 30 days of the tax year-end, i.e. by January 30th.**

Understanding 'The Secret': A Dynamic, New Twist on the Power of Positive Thinking (Joe Vitale, PhD, Hypnotic Marketing, Inc.)

A little more than a year ago, an Australian production company released *The Secret*, a documentary created by Rhonda Byrne, a former television producer, about the "law of attraction". According to this theory, people can create their own realities through their thoughts.

Understanding 'The Secret': A Dynamic, New Twist on the Power of Positive Thinking (cont'd)

Understanding the Law

The idea that we attract things to ourselves with our thoughts might seem controversial, but at a certain level, it's just common sense.

Is there any doubt that people who have positive thoughts about their careers are more likely to attract promotions and raises than those who think of their work as an unpleasant chore? Or that people who have upbeat, positive attitudes about their fellow man are more likely to attract friends than those who think everyone is against them? Medical science has shown that patients who think they will recover are more likely to do so. Our thoughts unquestionably affect our world.

The law of attraction takes this step further. Our thoughts shape every aspect of our existence. It isn't our boss, our family, bad luck or the economy that is holding us back -- it's our own thoughts. The idea is to awaken and take conscious control -- choose what we want to be or have. It's up to us to make things right.

The Five Steps

Step 1: Know what you want.

Step 2: Think big.

Step 3: Clear all negative or limiting beliefs.

Step 4: Feel what it would be like to have, do or be what you want.

Step 5: Let go as you act on your intuitive impulses and allow the results to manifest.

Tax Debts

The Income Tax debts for a particular tax year bear linkage and interest for the tax year reported, as of January 1st in the year following. If you wish to avoid or reduce such interest, then interim payments may be made to the Income Tax offices during the year. Where tax debts for the previous year are paid by the end of January - of the year following - no interest or linkage will be charged; if settled by the end of February, only 50% will be paid; and where paid by the end of March, 75% will be payable.

Our "Do Not Ignore" Checklist

1. Innovative ideas recently reduced;
2. Cash flow prepared for 2008;
3. Expenditure budget closely reviewed through December 31st;
4. Marketing plan updated for next half year;
5. Costing mechanism re-examined;
6. Direction and trends of business or practice re-evaluated;
7. Have you dealt seriously with this checklist?

Trusts

- The news with the taxation of trusts is that there is *no news*. The amendments have yet to be 'amended', and the forms to be issued. This does not, however, impact on the taxability of trusts, which are taxable as of January 2006.
- A recently published memorandum, proposing amendments to the laws governing trusts in Israel, specifies:
 - a. A beneficiary, who may or does appoint new beneficiaries or may influence the decision, will impact on the "Israeli" status of the trust.
 - b. Where the beneficiary is not required to submit an Income Tax return, then the receipt of an award or distribution from a trust will not affect the requirement. However, a notice - by way of special form - will be required.
 - c. Whilst "foreign" trusts are required to report on income earned in Israel, the Minister of Finance is empowered to issue regulations to exempt such trusts if the income is tax-exempt.

Do note that these are merely proposals.

Forget-Me-Nots

- Annual payroll reports (Form 0126) by April 30th.
- Annual withholding tax reports (Forms 856, 857, etc.) on payments to sub-contractors, suppliers of services, rental of premises, interest, etc. - by April 30th.
- Annual Amutah licence fee (to Registrar of Amutot) - payable by March 31st.
- Annual company and registered partnership licence renewal fees - payable by the end of February; non-receipt of renewal vouchers does not exempt you from timely payment. Payment may also be expedited on the Internet.

Management Fees to Related Parties

Management fees are a sensitive issue with the Tax authorities, and are generally to be reported, under the new Law governing "aggressive tax planning", where the fees exceed NIS 2,000,000. In addition, it is strongly recommended to do the following:

- Ensure amounts are reasonable.
- A proper and detailed contract should be prepared.
- Periodic reports (internal) of services provided.
- Regular (periodic) payment of fees.

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.

