



SHEKEL

The Broide & Co. Newsletter

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Quote of The Day

"Good things come to those who wait - but only the things left by those who hustle." (Harvey Goldstein)

Client Satisfaction Survey

Early in March we e-mailed a questionnaire to clients in order to facilitate "self-review" and help us improve our services and our value to you. The results so far are exciting - and very positive - but . . . we ask clients who have not yet completed the questionnaire to kindly do so and return to us (by e-mail). And we really will welcome any ideas, comments or suggestions to improve our services.

Government and Tax Authority Announce New Proposals for New Immigrants and Returning Residents

As part of a new effort to encourage immigration and the return of "ex-Israelis", the Government proposes introducing material changes to the Income Tax Laws. The highlights hereunder are based on an announcement by the Tax Authority, and should not be misconstrued as law.

- New immigrants (Olim Chadashim) will be exempt from Income Tax on passive income - i.e. interest, dividends, rental and capital gains - for a period of ten years from the date of immigration, on assets held outside Israel at date of immigration.
- Similarly, new immigrants will be exempt 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.
- These provisions will apply to "Returning Residents" who resided at least ten years outside the Country; however, for those who return in 2008 and 2009, a period of residence outside Israel of five years will suffice to enjoy these exemptions.
- "Tax Residence" may be postponed by a year from immigration (applies only to 'singles') by special request. (Also applicable to returning residents.)

- Foreign corporations or similar-type legal entities - managed and/or controlled by new immigrants or returning residents - will not be considered resident in Israel and, therefore, will not be taxable for a period of ten years.

- There will be no legal requirement to submit tax reports on the above exempt income.

Do note that these are **proposals**; only the legal provisions, as approved by the Knesset, are binding. Whilst tax planning is essential, proper professional counsel should be taken.

Wise Words for a 'Sluggish' Economy

"Caution, risk avoidance and, above all, liquidity, must be the key guidelines for entities of all sizes, for the foreseeable future." (Pinchas Landau, J. Post 23.12.07)

Marketing Your Business (C.P.A. Website, U.S.)

Here are some ideas for promotional efforts to raise the visibility of your business:

- Look for new niche markets you can serve and customize your advertising to appeal to the special needs of prospects in each niche.
- Identify and respond to emerging trends.
- Raise your visibility in the geographical market in which your business is situated.
- Create brochures or flyers to distribute in the town in which your business operates.

Income Tax Rates on Foreign Investments

A. Passive Income (from investments)

		<u>2005</u>	<u>2006</u>
		<u>%</u>	<u>Onwards</u>
		<u>%</u>	<u>%</u>
1. Interest	- foreign bank deposits/ savings plans	15	20
	- traded/regular bonds	15	20
2. Dividends	- quoted shares	25	20 *
	- unquoted shares	25	20 *
3. Cap. Gains	- quoted shares & bonds (unlinked bonds-15%)	15	20 *
	- unquoted shares & bonds	25	20 *
	- real estate	25	20

*25% for 'material shareholder' - viz. 10% or more of equity.

The rates have varied over recent years and, in calculating taxes due, particularly on capital gains (where the calculation is a linear one) the period during which the asset is held will invariably determine the taxes payable.

4. <u>Rental Income</u>	<u>2005</u>	<u>2006</u>
Foreign real estate:		
Either: a. applies to gross rental less dep.*	15%	15%
	(no foreign tax credit)	
or: b. net income from rental (after expenses)	marg.rate	marg.rate

* excludes deduction of expenses.

B. New Tax Rates (applicable to earned or certain other income)

1. Individual - Maximum marginal rates to be reduced by 1% p.a., currently 47%, reducing to 46% in 2009, and 44% as of 2010.
2. Corporate - Currently 27%, reducing to 26% in 2009, and to 25% in 2010.

Internal Auditing Department

The firm has an internal audit department to provide services to clients (new and old) particularly to non-profit institutions and public bodies and companies. Such services include the set-up and review of internal controls, internal audits, as is legally required by many stock-exchange companies, public bodies and non-profit institutions, and detailed examinations of systems and operations, as required. It is interesting to point out that we may only act as internal auditors for clients where our firm does not serve as the external auditors. We shall be glad to provide further information on internal audits (and the benefits thereof).

Tax Planning

Insurance Wrappers

1. This is a complex tax issue.
2. These are marketed essentially as 'insurance products' and, as such, require an insurance element -- viz. insurance risk, such as life.
3. If this instrument satisfies the life insurance definition, then it would probably fall within the 'with profits' policy definition, where the profits are taxed, presumably on receipt of the proceeds - currently taxed at 20%.
4. It is assumed that portfolio management and/or control is not in the hands of the 'insured'.

Using CFC's - new returning residents

1. The CFC must be foreign-managed to enjoy the tax benefits; if managed and controlled by a resident of Israel, then it will be taxed here. The company must be established before becoming resident and for passive investments only.
2. At the close of the 5-year period, the company can be dissolved. New and returning residents will be exempt from the capital gains thereon and taxed thereafter regularly.

Cash Flow Statements As An Integral Tool of Day-To-Day Management

Clients should utilize this important mechanism, preferably on a monthly or quarterly basis. A cash flow statement simply presents actual cash inflow and outflow, i.e. income actually received and payments actually made. In these times, it is essential to budget within the constraints imposed by such "cash flow". Further clarification may be obtained from one of our 'team'.

Our firm has developed a cash flow report 'tool' (on "Excel") for use by clients. This is available (free!) on our website.

Staying On Top of The Slow-down

- 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.

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.

May we take this opportunity to wish you and your family



***Chag Pesach Kasher
v' Sameach!***