

Quote of The Day

"Nothing in this world can take the place of persistence. Talent will not; nothing is more common than unsuccessful people with talent. Genius will not; unrewarded genius is almost a proverb. Education will not; the world is full of educated derelicts. Persistence and determination alone are omnipotent. The slogan "press on" has solved, and always will solve, the problems of the human race."

Calvin Coolidge

Time for Mid-Year Reviews

This is an opportune time for mid-year business, financial and tax reviews. Please avail yourselves of this essential service. Kindly ensure we receive accounting and related data timeously.

Change In The Rate of Vat

We trust you have noted the change in the rate of Vat - 16.5% (previously 15.5%). The effective date is July 1st. Do note the following:

1. On the sale of goods/products, the date of transfer (viz. handing over) is the determining date.
2. Property deals - Determining date is the date of transfer of rights (viz. generally ownership), or payments, whichever is the earlier.
3. Rentals - On receipt of income.
4. Services on cash basis - Determining date is date of receipt of the money.
5. Services not on cash basis - Date service is provided.
6. Accounting software should be updated for new Vat rate.

New Fiscal Proposals

Amongst the proposals - related to the new budget for 2009/10, and not yet approved by the Knesset - are the cancellation of zero Vat on services to tourists (hotel accommodation and related services), the reduction of individual taxes (for period from 2010 (44% maximum) to 2016 (39% maximum), and corporate taxes from 25% (2009) to 18% (2015). It is proposed to form a committee to review the Mas Shevach (Capital Gains Tax) on sale of property exemption.

In addition, it is proposed to increase the ceiling for Bituach Leumi (National Insurance) from NIS 38,415 monthly to NIS 61,342 (amount not final).

Clients should monitor the above closely, as the increase in monthly Bituach Leumi payments may be material. We do have some planning ideas.

Tax News

Trust-Breaking News - Tax reports for trusts (Israel-resident) f, 2007 and 2008 tax years have been postponed; the new date for submission is October 30th. The Trust Income Tax forms in English have now been published or the 2006

New Treaty With UK - Is expected to come into effect on January 1, 2010; the new provisions include reduced withholding taxes of 5% on interest and dividends, zero on royalties, and favourable treatment on pensions. These are particularly significant for new and returning residents.

Asset Values from Gifts and Inheritances - The Tax authority appears to be adopting a liberal approach on the values at "acquisition" when calculating capital gains (viz. market value).

Fresh Recession Busting Ideas

(by Rick Telberg/At Large)

Review your budget on a monthly basis. Keeping track of expenses, sales, margins, cash-flow and other indicators allows business owners to make informed decisions in an economy that can be shifting relatively quickly.

Watch receivables closely.

Receivables can be an indicator of how hard a business' clients are being hit by an economic downturn, and could provide an early warning that clients are about to cut back on their purchasing.

Evaluate all expenses. In a strong economy, business owners may neglect to review - or re-price - the services and supplies they purchase. Review the services to see which ones are no longer needed, and research prices and offerings from different vendors to see if there are cost-effective alternatives.

Reduce your inventory levels.

The Tax Season is Now!

Income Tax reports are due.

Tax News (cont'd)

Expenses on Childcare - "Deductibility" from 2010, as a result of the ruling in the Pery case, but subject to various conditions. The Treasury is planning to change the Law ... and, thus, the tax benefits of the ruling.

Charitable Contributions - New proposal to change Law, increasing the maximum amount entitled to tax credit in any tax year to the lower of 30% of taxable income or NIS 7,500,000 (previously NIS 4,208,000). Do note that it is, as yet, only a proposal.

The New Budget - Watch the media for changes in Income Tax, Vat and Bituach Leumi.

What We Can Learn from the Dumb Things Buffett Did

It takes intestinal fortitude to admit when you're wrong. It takes even more to say that your dumb decisions cost investors money. Warren Buffett did both. That's one of the things that makes him a truly great investor and is the first important lesson to be learned.

"During 2008 I did some dumb things in investments. I made at least one major mistake of commission and several lesser ones that also hurt. Furthermore, I made some errors of omission, sucking my thumb when new facts came in that should have caused me to re-examine my thinking and promptly take action", he announced in his latest letter to shareholders.

Because those who forget their stock market mistakes are doomed to repeat them, here are three more lessons:

LESSON 1: Don't Seek Approval - Per Buffett, "Approval, though, is not the goal of investing. In fact, approval is often counter-productive because it sedates the brain and makes it less receptive to new facts or a re-examination of conclusions formed earlier. Beware the investment activity that produces applause; the great moves are usually greeted by yawns."

LESSON 2: Understand What You Own - "Recent events demonstrate that certain big-name CEOs (or former CEOs) at major financial institutions were simply incapable of managing a business with a huge, complex book of derivatives. Include Charlie [Munger] and me in this hapless group", he said.

LESSON 3: The Market Can Be Wrong - "The investment world has gone from under-pricing risk to overpricing it. This change has not been minor; the pendulum has covered an extraordinary arc. A few years ago, it would have seemed unthinkable that yields like today's could have been obtained on good-grade municipal or corporate bonds even while risk-free governments offered near-zero returns on short-term bonds and no better than a pittance on long-terms."

(with thanks to our colleagues, Gerber & Co., CPA's - Los Angeles)