Shekel
THE BROIDE & CO. NEWSLETTER

Vol. 22 No. 1
Nissan 5770 - March 2010

43A Emek Refaim St. POB 8240, Jerusalem 91081
Tel: 02-5611323 Fax: 02-5669555
www.broide.com

Quotes of The Month

"We are not creatures of circumstance; we are creators of circumstance." (Benjamin Disraeli)

"The bad news is time flies. The good news is you're the pilot." (Michael Altshuler)

News in the Firm

As part of our ongoing efforts to improve services, we have introduced new state-of-the-art audit and financial statements software that will facilitate timely tax estimates and quarterly financial reports, more efficient auditing and on-line filing. This will also reduce significantly the waste of paper characteristic of our profession. We encourage our "Team" and clients to shift from use of paper documents to electronic documents.

Trust Department

We have expanded our Trust Department, which now provides trust administration, protector services, estate review and planning, preparation of financial reports, and tax consulting and services.

Tax-Efficient Distribution of Profits in the Company

- Corporate net profits are generally distributed by way of salaries to Directors/Shareholders, and dividends to Shareholders. In recent years, material changes in the Tax Laws have impacted on the most tax-efficient method of withdrawing these funds. There has been a reduction (which continues) in both corporate and personal Income Tax rates, and the ceiling for payments on Bituach Leumi was substantially increased, which also impacts on the decision of how to distribute these funds.
- Thus, the taxes payable on distributing dividends are as follows: Company Tax - 25% plus a dividend tax of 25% of the balance, totaling taxes of 43.75% (in 2010).
- The tax rates on salary are progressive, starting at 10% and going up to 45%. In addition, Bituach Leumi (National Insurance) is payable on salary.
- Based on the above, it would seem that the most tax-efficient way to distribute company profits is to draw a salary up to the marginal tax rate of 30% (currently approximately NIS 18,250 monthly) and, thereafter, distribute dividends. Above this salary, the marginal tax rate is 33% which, together with Bituach Leumi payments, exceeds the Income Tax that is payable on simply distributing dividends.
- Where the shareholder earns additional salaries from outside the company, which exceed NIS 18,250 monthly, then it is suggested that a minimal salary be drawn from the company, the balance of the profits to be distributed as dividends.
- This recommendation relates only to tax factors, but there certainly are other considerations. These include internal accounting/financial arrangements amongst the shareholders, Bituach Leumi benefits (i.e. miluim payments, maternity leave, etc.), managers' and related insurance policies, pensions, business and other.

Just Calm Down

By Dr. Rob Young - Accountancy Magazine, February 2010

Ever feel angry at work or know someone who does? Perhaps it's the computer faults or customer complaints that get you or them annoyed. Or incompetent colleagues or unexpected disappointments that get the nerves frayed. Anger is a natural, evolutionary response to threats.

Studies show that anger makes us more blinkered in our thinking. So even though we might later agree that we were wrong, in the heat of the moment, we push our views more strongly. We are also less creative when angry.

All in all, anger makes us less flexible and more narrow-minded, making it rarely productive at work.

Shekel
THE BROIDE & CO. NEWSLETTER

Vol. 22 No. 1
Nissan 5770 - March 2010

43A Emek Refaim St. POB 8240, Jerusalem 91081

Tel: 02-5611323 Fax: 02-5669555
www.broide.com

Tax Planning Ideas

Optimise - (Don't increase) expenses/deductions. These include, local and foreign travel, gifts, entertainment, management charges (investments), various others (including inventory valuation in these times) - all within the legal parameters.

Review entity structure re tax (and cost) efficiency (corporate, individual, partnership, trust, foreign).

Consider options available for taxation of income from rental on residential property (see website). (May also reduce Bituach Leumi payable.)

Review dividend strategy and salaries of directors/shareholders.

Salaried Taxpayers - who are not legally obligated to submit tax returns - should evaluate possibility of claiming certain additional expenses and tax credits not included in the payroll calculations.

Plan contributions (donations) to charitable organisations so as to maximise tax benefits.

Give thought to possible set-off of capital losses on securities against dividend and interest income on securities (in same year).

Rather boringly, the best way to dissipate anger is by making a conscious effort to calm down. Encourage an angry colleague to take a break. Walk away and come back to the discussion later when everyone is again in full command of their faculties. If it's you, distract yourself from what made you angry by engaging in an easy rote task such as breathing slowly and deeply subtracting seven from 132 until you get to zero. Anything will do, so long as you can get the maddening thoughts and images out of your head.

Taxpayers Targeted in Retrospective Tax Trawls
U.K. Citizens Living Abroad as Tax Exiles
(Lawrence Grant, Chartered Accountants (U.K.)
Thousands of U.K. citizens living abroad as tax exiles could find themselves facing a retrospective tax bill stretching back as far as the previous six years, following a recent Court of Appeal ruling.

The case involved a businessman, Robert Gaines-Cooper, who has lived in the Seychelles since 1976. Despite the fact that he had adhered to previous HM Revenue & Customs (HMRC) guidance by spending fewer than 91 days in the UK on average every year, the judges ruled he had nevertheless maintained ties with the country.

The Appeal Court said that the 91-day rule did not actually establish non-residency, and ruled that the U.K. had remained the 'centre of gravity'* of the defendant's life and interests.

* similar to the "Focus of Life" definition under Israeli Tax Law --- We too should take note!

The ruling means that thousands of U.K. tax exiles could have their lifestyle scrutinised by the Revenue, with factors such as the number and length of visits to the U.K., any economic and business ties, and ongoing connections, such as membership of U.K. banks or sporting clubs, being taken into consideration.

New Proposal for Estate Tax in Israel
Estate Tax is back on the Knesset's agenda, after a 29-year absence. The proposal provides for a 10% Estate Tax where the value of the assets exceeds NIS 10,000,000. It is assumed that provisions for avoidance of double tax will apply and thus, considerably soften the blow on foreign assets. It is unclear whether the proposal will pass in the Knesset, and what the final legislation will be. We will monitor this closely.

May we take this opportunity to wish you and your family Chag Kasher V'Sameach!

Shekel
THE BROIDE & CO. NEWSLETTER

Vol. 22 No. 1
Nissan 5770 - March 2010

43A Emek Refaim St. POB 8240, Jerusalem 91081

Tel: 02-5611323 Fax: 02-5669555
www.broide.com