

Quote of The Day

"Our lives are not determined by what happens to us, but by how we react to what happens; not by what life brings to us, but by the attitude we bring to life. A positive attitude causes a chain reaction of positive thoughts, events and outcomes. It is a catalyst, a spark that creates extraordinary results."
(Anonymous)

IGAF News

As members of IGAF Worldwide, an association of independent accounting firms around the globe, we participated in the recent Bi-Annual Conference in Puerto Rico. It was a stimulating experience, meeting our accounting colleagues from around the world and exchanging professional ideas, experiences and information. We were very impressed by the quality of our associates and their high professional standards.

We feel that, with the expanding international needs of businesses and investors, clients should utilise the services provided by our IGAF alliance.

100+ Marketing Ideas

(Ms. Joyce L. Bosc, Boscobel Marketing Communications Inc.)

1. Never let a day pass without engaging in at least one marketing activity.
2. Determine a percentage of gross income to spend annually on marketing.
3. Set specific marketing goals every year; review and adjust quarterly.
4. Maintain a tickler file of ideas for later use.
5. Carry business cards with you (all day, every day).
6. Stay alert to trends that might impact your target market, product or promotion.
7. Read market research studies about your profession, industry, product, target market groups, etc.
8. Collect competitors' ads and literature; study them for information about strategy, product features and benefits, etc.
9. Ask clients why they hired you and solicit suggestions for improvement.
10. Identify a new market.

Corporate Compliance with Regulations – The Registrar of Companies Has Increased Powers

An amendment to the Company Law – effective as of January 2010 – empowers the "Registrar" to take measures to enforce compliance against the defaulting company and even its directors. These measures are aimed at ensuring timely payment of the annual company licence and submission of the annual report to the "Registrar".

Active companies may remedy this by settlement of outstanding (licence) debts to the Registrar of Companies and submission of the last annual "Registrar" Report. Inactive companies may escape the penalties and debts by putting the company into "voluntary liquidation" (there are costs involved.) and submission of appropriate documentation of discontinuation of activities.

This is a general overview; proper legal guidance should be taken before proceeding.

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 has been substantially increased – which also impacts on the decision of how to distribute these funds.

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Year-End Tax Tips

Some tax-reducing thoughts – still for 2010:

Review inventory closely, with a view particularly for dead/obsolete items – will reduce closing inventory and taxable income.

Check your 2009 asset and depreciation schedules for items no longer in use or obsolete; these may be fully depreciated in 2010 if the above applies.

Capital gains may be reduced by realised capital losses; assets/investments that reflect paper losses, and are unlikely to rise in value in the very near future, may be suitable candidates for review.

Capital losses on securities arising in 2010 may be offset with income from dividends and interest on securities received in 2010. This includes dividends from private companies.

Recognition for charitable contributions requires Section 46 approval, and must be made (and receipted) before Dec. 31.

Give close attention to expenses that may be deductible – business and investment.

Review dividend strategy, where relevant.

- 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%.
- The tax rates on salary are progressive, starting at 10% and going up to 45%. In addition, Bituach Leumi is payable on salary - by the employer 5.4%, and the employee 11.8%.
- 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% and, thereafter, distribute dividends. Above this salary, the marginal tax rate is 33% which, together with the 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 the amount in D above, 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.

Reporting on Money Brought Into or Taken Out of Israel

Under the rules governing anti-laundering, it should be noted that on entry or exit, there is a legal requirement to report on “monies” brought in or taken out where these amount to NIS 90,000 or more. New immigrants are required to report where the amount is NIS 1,125,000 or more on first entry into Israel. “Monies” that require reporting include cash, bank cheques and travelers’ cheques. This reporting must be done generally on entry or exit by appropriate form (Form 84) and submitted to a Customs official.

Forget-Me-Nots for 2011

- Annual payroll reports (Form 0126) by April 30th.
- Annual withholding tax reports (Forms 856, 857, etc.) on payments to subcontractors, suppliers of services, rental of premises, interest, etc. – by April 30th.
- 10% tax ‘route’ on residential income for 2010 to be reported and paid by January 30, 2011.
- 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.
- Interest and linkage on tax debts – not charged (on 2010 debts) if paid by 31.01, end of Feb. 50% reduction, end of March, 25%).