

43A Emek Refaim St. POB 8240, Jerusalem 91081

Tel: 02-5611323 Fax: 02-5669555

### Quotes of The Day

**“The whole problem with the world is that fools and fanatics are always so certain of themselves, but wiser people are so full of doubts” (Bertrand Russell)**

**“A man can succeed at almost anything for which he has unlimited enthusiasm.”  
(Charles M. Schwab)**

### Tax Amnesty

for reporting on foreign income and assets

- Effective 15.11.11-30.06.12.
- Immunity from criminal proceedings and possible waiver of penalties, interest and linkage.
- Special Committee will review applications under Voluntary Disclosure procedures.
- Applicable, in particular, to un-reported income from foreign assets received as inheritance or gifts, or from foreign assets acquired from local or foreign sources on which taxes were paid or were not subject to tax in Israel, or income from foreign assets which are subject to tax as of 2003.
- Information from an application that is not approved will enjoy tax criminal and civil immunity.

We are available to assist with applications for voluntary disclosure and clarifications.

### Too Busy to Change?

Stop what you're doing for a minute and think – really stop.

Are you doing whatever it is because it's always been done that way, because it's policy, because it keeps you busy . . .? Now, more than ever before, the time has come to question **what** we do, **why** we do it, and also **how** we do it.

### Last-Minute Tax Planning for the Year-end

There is a substantial difference between taxpayers who report on a cash basis and those who report on a regular commercial basis. The former account for monies actually received during the tax year and expenses actually paid; the latter report on income earned – irrespective of whether received – and expenses actually incurred.

This distinction is of much significance, as it relates to the tax device of timing income and expenses between fiscal years.

Now is the time to review expenses on overseas travel, professional and related literature, entertainment of overseas customers and associates, gifts, travel, food and refreshments, overseas telephone calls, home-related expenses and various 'borderline' type expenses that require close scrutiny. Payments for life insurance, provident and pension funds, donations, research and oil projects, film production, National Insurance and others must be made by December 31<sup>st</sup> in order to enjoy the tax benefits thereon.

Private companies may pay salaries to 'controlling' shareholders for the 2011 tax year up to March 31, 2012.

Similarly, it is advisable for taxpayers on the 'cash basis' to pay December salaries by December 31<sup>st</sup> in order to ensure deductibility in the current tax year.

Clients should plan to submit the books of account and supporting material for the 2011 year as soon as possible after the year-end, and not later than March 31<sup>st</sup> (with all the relevant material properly recorded, reconciled and documented).

### **IGAF-Polaris News**

As members of IGAF Polaris, an association of independent accounting firms around the globe, we participated in the recent 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 utilize the services provided by our IGAF-Polaris alliance.

### **Year-End Tax Tips**

#### **Some tax-reducing thoughts – still for 2011:**

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

Check your 2010 asset and depreciation schedules for items no longer in use or obsolete; these may be fully depreciated in 2011 if the above applies.

Capital gains may be reduced by realized 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 2011 may be offset with income from dividends and interest on securities received in 2011. 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, particularly in the light of recent changes.

### **New Tax Changes for 2012**

The Trachtenberg Commission recommendations were approved by the Knesset.

The following fiscal changes were approved (applicable 01.01.2012).

- Increase in Corporate Tax to 25% in 2012 (currently 24%) and possibly 26% in 2013. The plan for further reductions is to be discontinued.
- Increase in top marginal tax rate for individuals from 45% (2011) to 48% on monthly income of NIS 40,231, and discontinuation of plan to reduce top marginal rate over a few years.
- Increase in tax on dividends, interest and capital gains from 20% to 25%, and to 30% (from 25%) for material shareholders (holding equity of 10% or more in company).
- Allowance of two tax credit points to fathers for each child under 3 years of age. (Mother still to receive one credit point for each child up to 18 years of age.)
- Change in Bituach Leumi ceiling (to monthly income of NIS 40,790) and increase in participation of employers.

Many of these changes require tax planning and implementation by December 31<sup>st</sup> this year.

We will be glad to plan with you.

### **Forget-Me-Nots for 2011/12**

- Annual payroll reports (Form 0126) by April 30<sup>th</sup>.
- Annual withholding tax reports (Forms 856, 857, etc.) on payments to subcontractors, suppliers of services, rental of premises, interest, etc. – by April 30<sup>th</sup>.
- 10% tax 'route' on residential income for 2011 to be reported and paid by January 30, 2012.
- Annual Company and Registered Partnership License 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 - [www.justice.gov.il/Mojheb/RasutHataagidim](http://www.justice.gov.il/Mojheb/RasutHataagidim)
- Interest and linkage on 2011 tax debts – not charged (on 2010 debts) if paid by 31.01, end of February – 50% reduction, end of March – 25%.
- Inventory take – December 31<sup>st</sup>.
- Dividend distribution by December 30<sup>th</sup>, if relevant. (See "New Tax Changes for 2012.")



*Happy Chanukah!*