

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, not 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.

See website for information relating to new immigrants/residents and returning residents:
www.broide.com/updates/Guidelines_for_new_immigrants_and_new_residents.pdf



Adar Bet 5768
March 2008