

Do give this your immediate and careful attention!

19th Tevet 5770

5th January 2010

Dear Client,

For those of you who prefer, or have elected, to pay taxes on residential income according to the 10% "route" (see 2 below), you will require special tax payment vouchers - based on your rental income for 2009 - and these must be paid by January 30th in order to enjoy the 10% tax benefit.

Study the different "routes" hereunder and contact our office without delay if you need payment vouchers. We will be glad to clarify.

Income from Real Estate

1. Rental income from residential property in Israel (individual tenants only) enjoys a tax exemption of individuals (only) up to NIS 4,510 monthly (2009).
2. Alternatively, you may elect to be taxed at 10% of gross rental, without any upper ceiling. This "route" is now conditional on the taxes (viz. 10% of gross rental) being paid within 30 days of the tax year-end (January 30th). If relevant, call our office now!!
3. Where there are high maintenance or other costs (including depreciation), neither of the two alternatives may be appropriate, but rather the regular tax "route". Where the apartment or house is used for business (not for residential) purposes, then these tax provisions do not apply.
4. Rental income from property owned outside Israel - residential or commercial - may be taxed at 15%, but excludes claiming expenses and deductions (other than depreciation) and any foreign taxes paid thereon. High costs and/or foreign taxes render this unattractive. The alternative is the regular tax "route".