



BROIDE & CO.
Certified Public Accountants (Isr.)

TAX ALERT

- **Penalties on Late (or Non) Electronic Submission of Annual Tax Reports**
Most taxpayers are required to submit tax reports “on-line”. The Tax Authority has announced its intention to levy substantial penalties for non-compliance. However, if the reports (annual Income Tax and Payroll) for the years 2007, 2008, 2009 and 2010 are submitted (electronically) by November 30, 2011, then no penalties will be levied.
- **The Trachtenberg Commission**
The Trachtenberg Commission, appointed in the wake of the recent socio-economic protests, has recently submitted its recommendations. These have not yet been approved by the Knesset, nor even submitted as proposed legislation. Thus, it may be assumed that the final changes in the Law may look very different.

At this time, the following fiscal changes are proposed:

- 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 annual income of NIS 482,760 and discontinuation of plan to reduce top marginal rate over a few years. (Thus, 50% on earned income – see 2% surcharge below.)
 - * Increase 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). These changes will apply to income produced after the changes in the Law.
 - * Tax surcharge of 2% on taxable income exceeding NIS 1,000,000 annually, from all sources – business, salary (earned income), dividends, interest, capital gains.
 - * 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 and increase in participation of employers.
 - * Estate Tax not to be introduced.

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- **Interest-Free Loans from Shareholders**

A recent amendment in the Tax Law impacts materially on interest-free loans from shareholders to their companies. Structuring, therefore, has become very significant in terms of period of loan, priority on repayment and currency protection. Professional guidance should be sought.

- **Israeli Income Tax "Season" Drawing to a Close**

Time has all but expired for submission of personal (and corporate as well) and non-profit Income Tax reports. And, when we speak of expiry, this includes the special "time-spread" allowed to CPA firms. So do make haste!

- Capital losses (actual) on securities, arising in 2011 may be offset with income from dividends and interest on bonds in 2011. (Includes private companies.)

Important Notice:

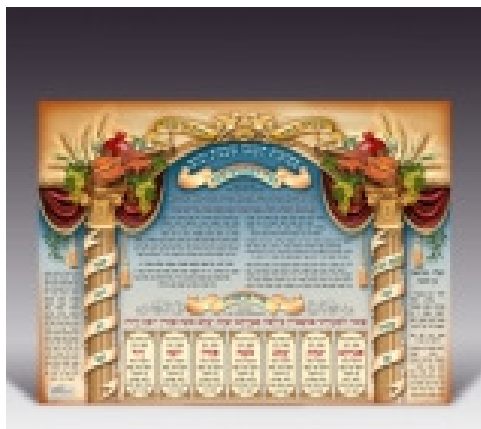
Postponement of Payments for Payroll (Bituach Leumi and Income Tax) and Provisional Payments (Mikdamot) for Income Tax and Bituach Leumi for September 2011

These reports and payments for September are due October 26th and not October 15th.

The tax year-end is but 2+ months away – gear up for some sensible tax planning!

This Tax Alert has been prepared for information purposes only. Whilst every care has been taken in compilation, no responsibility can be accepted for inaccuracies or errors. Changes in the Law or practice occur periodically; It is recommended that specific professional advice be sought before any action is taken.

*Chag Sameach and
Have a wonderful Succot!*



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