

TAX UPDATE - AUGUST 2009

- New amendment to Income Tax Law may facilitate extension of the "10-year holiday" - granted to new olim/residents and veteran returning residents - by a further 10 years, where the new or returning resident (as defined) makes a **material investment** in Israel within two years of aliyah or return. The conditions for this extension will be defined in new provisions (takanot) yet to be published.
- The Tax surcharge on employment of foreign workers has been increased from 10% to 20% as of January 1, 2010, but excludes agriculture (rate remains 10%), building and industry (increased to 15%), and ethnic restaurants (10.75% in 2010, gradually going up annually - 15% in 2012).
- Small businesses are now exempt from Vat (but must register as "Exempt Vat Dealers") where turnover does not exceed NIS 100,000 per annum - effective as of 2009.
- Dividends distributed from profits accumulated ("retained earnings") through 31.12.02 will be subject to tax at 12% if paid in the period October 2009 - September 2010. This reduced rate is subject to various conditions, including that the date of acquisition of the equity was before 31.12.02.
- Vat reports by businesses, whose turnover is NIS 4,000,000 or more, or are required to keep a double-entry system of accounting, will include full details of tax invoices issued and received; this change is effective as of January 1, 2010. (From 2011, the turnover requirement drops to NIS 1,000,000.) Over the years 2010-2012, other changes in reporting will be required.