

***TO BE READ
WITH CARE!***

Dear Client,

Re: Time for Action

With three-quarters of 2009 behind us, this is an opportune time to do business and tax reviews based on the results of the first nine months, and forecasts for the last quarter of 2009, and we strongly encourage you to do so.

Economies are still in recession worldwide, despite moderate changes in Israel and elsewhere. We strongly advise clients to plan (and act) accordingly. The implications are both financial and business.

We would like to meet with you and discuss these and related matters; to this end, kindly forward interim financial results to us, together with a brief forecast/budget for 2009, including explanations.

At this time, do make sure of the following:

1. Mikdamot (Tax and Bituach Leumi advances) are being properly reported and paid, or have been cancelled.
2. Dividend strategy is being reviewed, where relevant.
3. Appropriate planning for reducing/limiting Bituach Leumi payments.
4. Taxes are withheld at source from office/business rental, unless landlord has provided exemption or reduced tax certificate (and other payments, where relevant).
5. Accounting material/ishurim/documents now very due for 2008 Income Tax, and preparation of tax reports/balance sheets, etc. (We're running out of time!)
6. Due care in ensuring that the 10% tax (where relevant) on 2009 residential rental income is reported and paid by January 30, 2010.
7. Creative marketing - now!
8. Proper budgeting and cash-flow control - also now!
9. Communication with us! (Please do!)

10. Year-end Tips:

- a. **Capital Losses on Securities** arising in 2009 may be offset with income from dividends and interest on bonds in 2009. (This includes dividends from private companies.)
- b. **Charitable Contributions** - In order to enjoy the Income Tax credit, charitable contributions must be made before December 31st. Do ensure that receipts are originals and have Section 46 approval. The tax credit is 35% of the amount contributed for individuals, and for companies, 26% (in 2009).
- c. **Interest and Linkage on Taxes Due** - Income Tax debts for a particular tax year bear linkage and interest for the tax year reported, as of January 1st in the year following. If you wish to avoid or reduce such interest, then interim payments may be made to the Income Tax offices during the year. Where tax debts for the previous tax year are paid by the end of January - in the year following - no interest or linkage will be charged; if settled by the end of February, only 50% will be paid; and where paid by the end of March, 75% will be payable.
- d. **Timing for Businesses and Services** - 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 within the fiscal year.

12th Tishrei 5770
30th September 2009