

## Tax News Flash



### New tax regulations for small businesses as of 2024 – 30% expense deduction without documentation

Recently approved legislation enables small businesses (individuals) to reduce substantially their reporting and related bureaucratic requirements as hereunder:

- A small business/taxpayer is defined as one where annual gross income/turnover does not exceed NIS 120,000.
- Expenses of 30% of turnover may be deducted for income tax purposes, without any requirement for documentation\*.
- This may facilitate avoiding the need to submit annual income tax returns, probably requiring simple abridged reports.
- Similarly such businesses are exempt from VAT registration and reporting.
- These changes will be effective as of **2024**.

\* Depreciation on business assets will be added to the gain in calculating capital gains tax where the small business discontinues the 30% expense deduction as in b above.

These new provisions will not apply where:

- The business employs workers.
- The accounting records do not comply with legal requirements.
- Passive income was received from the business/practice.
- Portion of the business income was received from the employer of such person.
- Part of the business income was sourced from a transparent entity (e.g. Family company/ LLC etc. )
- More than 25% of the “business” income was received from a close relative or ex-employer (during the previous 3 years).
- The individual is a controlling shareholder (viz. 10% or more of the equity).



As this is hot "off the press" further clarifications may follow from the ITA.

This tax alert is prepared for the information of clients and associates. Whilst every care has been taken in compilation, no responsibility can be accepted for inaccuracies or errors. Clients are also advised that changes in the Law or practice occur periodically; it is recommended that specific professional advice be sought before any action is taken.