

SHEKEL

The Broide & Co. Newsletter



Quote of the Day

Price is what you pay, value is what you get.

Warren Buffett

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- [View our Trust Brochure - https://tinyurl.com/TrustsLL](https://tinyurl.com/TrustsLL)

Planning for the end of the tax holiday

New or returning residents who started the 10-year tax exemption period in 2016 or 2017 should already be doing serious tax planning for the post “tax holiday” period. Similarly, those who became residents in 2014 and 2015 are already be required to submit tax reports.



In Memoriam - Selwyn Feinblum Z"l

Our dear friend and colleague, Selwyn, passed away recently. Selwyn worked with us for 10 years and was an outstanding professional and always dedicated to the firm and clients. His focus on thoroughness and in-depth research and review were hallmarks of Selwyn the accountant as was his commitment to service.

We will miss him and extend sincere condolences to Valerie and the children and grandchildren. We too will cherish the memories of such a wonderful person.



יהיה זכרו ברוך



Draft Economic Plan for 2026 - Tax Changes Proposed

More tax changes in the offing -
but not yet approved nor legislated.

- Cancellation of VAT exemption on services to tourists
- Reduction in taxes on middle-income earners (changes in marginal rates).
- Reduced taxes on earned income in Israel for new and veteran returning residents: full exemption on earned income (not exceeding NIS 1,000,000 for 2026 & 2027, up to NIS 600,000 in 2028, with amounts reducing further in 2029 and 2030) but certain conditions will apply.
- Abridged tax reporting on residential rental income, including on exempt rental income.
- New quantitative definition for tax residence - not yet approved.

Taxing Undistributed Profits - New Laws

A surtax of 2% to be levied on undistributed profits of closely held companies (up to 5 shareholders).

The additional tax is not payable where:

- The company has incurred losses exceeding 10% of undistributed profits.
- The company distributed dividends on profits-on which taxes were deducted -exceeding 50% of profits at the end of the previous year.
- Dividends were distributed (and taxes withheld) amounting to 6% or more of accumulated profits* at the end of the previous tax year (5% rate for 2025)
- There are interim provisions relating to liquidation of companies in 2025 (subject to reduced taxation until sale of assets-complex and unclear).
There is much confusion as to the consequences for foreign entities.

*Balance of undistributed profits at end of previous year less the higher of :

- a) NIS 750,000.
- b) Expenses for the year or average expenses for the 3 previous years.
- c) Total cost of assets-local and foreign-but after deduction of share capital/share premium, loans from related parties and certain other passive assets.

Discuss with us, including dividend distributions for the 2025 tax year!

Israel Donations

Starting in 2026, the “Israel Donations” system will be implemented for digital reporting of donations. This system will allow you to receive tax credit for donations without the need to keep physical receipts.

Important: Each receipt has a unique number from the Tax Authority. Without this number, the donation cannot be recognized.

For now, it is recommended to continue keeping receipts until the system is fully implemented.



Quick. Secure. Accurate. Your tax info in one place.

2024 Personal income tax return questionnaire

With the Income Tax season underway, we're pleased to introduce a confidential questionnaire designed to securely gather your information and documents. This streamlined approach ensures your data is handled with care. Ready to submit? Contact us anytime!

Access the questionnaire here:
[Confidential Questionnaire](#)

The screenshot shows a digital form with the following fields and questions:

- מזהה סוסס / Form ID number: [input field]
- שם: [input field]
- שם משפחה: [input field]
- 1. האם הנך מגיש ד"ח שנתי לרשויות מס בחו"ל? / Do you submit any tax returns abroad (eg US form 1040)? [dropdown menu]
- 2. האם היו לך הכנסות ממשכורת? / Did you receive any salaried income during the year? [dropdown menu]
- 3. האם הייתה לך הכנסה מקצבה / פנסיה בארץ או מחו"ל? / Did you receive any pension or allowance from a source either in Israel or abroad? [dropdown menu]

THE TAX SEASON IS NOW! INCOME TAX REPORTS ARE DUE

With the income tax season coming to a close, we strongly suggest you submit the relevant documents and information to us without delay to facilitate timely submission of tax returns.



2025 Rental Income

Please be advised that the ITA has introduced new protocols for the 10% rental tax track.

Taxpayers wishing to self-report must now create an account on the Mas Hachnasa portal.

Clients preferring professional assistance are invited to contact our office for details regarding the necessary documentation.

Please note that the payment deadline is **January 30th**, after which interest and linkage will apply.



YEAR-END TAX TIPS

Some tax-reducing thoughts - Still for 2025

- Check your 2024 asset & depreciation schedules for items no longer in use or obsolete: these may be fully depreciated in 2025 if the above applies.
- Capital gains may be reduced by realized capital losses; assets/investments that reflect paper losses, and are unlikely to rise in value in the very near future, may be suitable candidates for review.
- Capital losses on securities arising in 2025 may be offset with income from dividends and interest on securities received in the same year. This includes dividends from private companies.
- Recognition for charitable contributions requires Section 46 approval and must be made (and receipted) before December 31.
- Give close attention to expenses that may be deductible - business and investment.
- Review dividend strategy where relevant.





Tax Matters for Small Businesses

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

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



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