International Tax
Israel Highlights 2021

Updated January 2021

Recent developments

For the latest tax developments relating to Israel, see Deloitte tax@hand.

Investment basics

Currency: New Israeli Shekel (NIS)

Foreign exchange control: There are no foreign currency restrictions.

Accounting principles/financial statements: Accepted accounting principles according to the Israeli accounting standards board/IFRS apply. Financial statements must be prepared annually (quarterly in the case of a public company). US GAAP may apply in certain circumstances.

Principal business entities: These are the public and private limited liability company, partnership (registered and nonregistered), and branch of a foreign corporation.

Corporate taxation

Rates	
Corporate income tax rate	23% (standard rate)
Branch tax rate	23% (standard rate)
Capital gains tax rate	Varies

Residence: A corporation is deemed to be resident in Israel if its activities are managed and controlled from Israel or if it is incorporated under the laws of Israel.

A foreign corporation managed and controlled by a new Israeli resident or a senior returning resident (i.e., an individual who has spent at least 10 years abroad) generally will not be classified as an Israeli resident company for 10 years from the date of the individual's arrival in Israel. This does not, however, preclude the Israeli Tax Authority (ITA) from claiming that the individual creates a permanent establishment (PE) of the foreign corporation in Israel.

The implications of an applicable tax treaty for the residency of a corporation also must be taken into consideration.

Basis: Israeli resident companies are subject to tax on worldwide profits and gains, with credit granted for foreign taxes paid in respect of foreign income. A nonresident company is subject to tax only on Israeli-source profits. Branches are taxed in the same way as subsidiaries.

Taxable income: An Israeli resident corporation is subject to corporate income tax on its worldwide income and capital gains.

Rate: The basic tax rate for companies is 23%. An Israeli company classified as a "preferred enterprise" is taxed on its "preferred income" depending on where its facilities are located (7.5% if located in "Area A" and 16% if located elsewhere). An Israeli company classified as a "special preferred enterprise" (annual turnover of at least NIS 10 billion) is taxed on its preferred income at 5% or 8%, depending on where its facilities are located.

Israeli companies with income derived from intangibles that does not meet all the conditions for classification as preferred income under the current definition remain entitled to the preferential tax rates of 7.5% or 16% under the regime until 1 July 2021.

An Israeli company classified as an "approved enterprise" or a "benefited enterprise" is entitled to a tax rate of between 0% and 23%, with the period of benefits depending on where the company's facilities are located, and whether certain conditions are satisfied. The benefits are revoked if exempted profits derived from the approved/benefited income are distributed. Qualified companies may be eligible for both reduced corporate tax rates and grants from the investment center.

An Israeli company classified as a "preferred technological enterprise" is entitled to a reduced tax rate of 12% (7.5% if its facilities are located in Area A) on its "preferred technological income." "Special preferred technological enterprises" are entitled to a reduced tax rate of 6% on preferred technological income.

The calculation of preferred technological income (i.e., the part of a technological enterprise's income that is eligible for a preferential tax rate) is based on a "nexus" approach that generally excludes development costs incurred outside Israel. The nexus approach must be applied as from 1 July 2021 in respect of the income of a preferred technological enterprise derived from intangibles purchased on or before 30 June 2016. For income derived from intangibles purchased after 30 June 2016, the nexus approach must be applied as from 1 January 2017.

Companies often may be eligible simultaneously for both preferred enterprise benefits and preferred technological enterprise benefits.

Partnerships are transparent for tax purposes in respect of their ongoing income, but when they are sold, the partners are taxed as if they had disposed of their interest in the partnership and not each partnership asset.

There are various options for companies to be treated as transparent for tax purposes that could be applied in different circumstances.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: No tax is payable on dividends distributed by an Israeli resident company to another Israeli company, provided the dividends arise from income produced or accrued in Israel by a company that is subject to corporate income taxation. The tax rate is 23% on dividends from income produced (or accrued) abroad, or from dividends received from abroad; a tax credit will be granted for foreign tax paid. An indirect foreign tax credit also may be available where the Israeli company receiving the dividend holds at least 25% of the payer company. An ultimate parent company is entitled to an indirect credit for tax paid by both its subsidiary and its indirect subsidiary, where the ultimate parent company holds at least 25% of the subsidiary, and the subsidiary holds at least 50% of the indirect subsidiary.

Companies are taxed at a 20% rate on dividend income if the distribution is made from profits attributable to an approved/benefited enterprise generated during the benefits period of a program that was confirmed after 2013. Where a distribution is made from profits generated during the benefits period of a program that was confirmed in 2013 or earlier, the tax rate is 15%. When the recipient company distributes a dividend from that income, it is entitled to a refund of the tax paid. However, temporary provisions introduced as part of the 2012 amendment to the investment law allow a tax exemption for dividends received by an Israeli company from approved/benefited income and distributed by a company that was previously an approved/benefited enterprise but now has preferred enterprise status, and has notified the change of status to the ITA on or before 30 June 2015.

Dividends distributed from a revaluation of assets are subject to corporate income tax at the standard rate of 23% in the hands of the recipient company.

Capital gains: The capital gains tax rate depends on the purchase date and the nature of the asset. The general capital gains tax rate for a corporation is the standard corporate tax rate (23%). The inflationary component of the gain (accrued as from 1 January 1994) is exempt from tax.

On a sale of shares, undistributed profits generated by the company in which the shares are held during the seller's period of ownership and taxed at the company level are tax-exempt in certain circumstances.

An Israeli resident is subject to capital gains tax on the disposal of its assets, regardless of whether the assets are located in Israel. Capital gains derived from the sale, exchange, transfer, or other disposition of tangible and intangible capital assets located in Israel, or that constitute a direct or an indirect ownership interest of assets in Israel, are treated as Israeli-source income and are subject to capital gains tax, regardless of whether the seller is a resident of Israel for Israeli tax purposes. Shares and other securities of Israeli companies, or shares and other securities of non-Israeli companies holding their main assets in Israel, also may be treated as Israeli assets.

Persons (entities and individuals) who are not residents of Israel for tax purposes are exempt from Israeli capital gains tax on gains from the sale of shares traded on the Tel Aviv stock exchange, unless the gain is attributable to a PE the seller maintains in Israel.

A broad exemption from capital gains tax applies to gains derived from the sale of securities in Israeli or Israeli-related companies acquired on or after 1 January 2009 by all nonresidents (both entities and individuals), regardless of whether the nonresident is eligible for benefits under a tax treaty. The exemption does not apply:

- To shares of companies whose assets consist primarily (directly or indirectly) of real estate (i.e., land or buildings) located in Israel, or rights to exploit natural resources in Israel;
- Where the shares sold were purchased from a related party or by way of certain tax-deferred reorganizations;
- Where the shares were held through a PE; or
- Where the nonresident selling entity is 25% or more controlled by Israeli residents.

Capital gains derived by a preferred technological enterprise or a special preferred technological enterprise from the sale of qualifying intangible assets to a related nonresident company are taxed at a rate of 12% or 6%, respectively, if certain conditions are fulfilled.

Losses: Trading or business losses may be offset against income from any source in the current tax year and carried forward indefinitely to be offset against business income and business capital gains. Losses may not be carried back.

Foreign tax relief: Israel grants a direct tax credit for foreign taxes paid on non-Israeli-source income. An indirect tax credit is granted in certain cases. Where the Israeli tax liability on the income is lower than the foreign tax paid on that income, the excess foreign direct tax credit may be carried forward for five tax years.

Participation exemption: A special tax regime applies to Israeli holding companies that invest in foreign corporations. An eligible corporation is entitled to an exemption from tax on dividends received from a qualified foreign subsidiary, and on capital gains derived from the sale of shares in such a subsidiary, as well as a full exemption from tax on financial income derived from investments in the Israeli capital market. In addition, dividends paid by the holding company to a nonresident shareholder are subject to a 5% withholding tax, rather than the regular rates of 25% if paid to a non-controlling foreign shareholder that holds less than 10% of the shares of the Israeli holding company, or 30% otherwise.

Holding company regime: See under "Participation exemption," above.

Incentives: Various programs are available, e.g., foreign investment incentives (approved enterprise status, various tracks), a holding company regime, and R&D incentives. See also "Taxation of dividends" and “Rate,” above.

The Israeli government has implemented a number of measures that continue to apply through 2021 to assist businesses mitigate the economic effects of the COVID-19 pandemic. Accelerated rates of depreciation are available on equipment purchased other than from related parties in the period 1 September 2020 to 30 June 2021 and used to generate income in Israel within three months from the date of purchase. Other measures include the possibility to apply for a special grant via the business’ account with the ITA, and a loan to help cover fixed expenses, such as rent and utility bills.

Compliance for corporations

Tax year: The tax year generally is the calendar year. Taxpayers may apply for a different tax year, but the application will be approved only in special circumstances.

Consolidated returns: The filing of a consolidated return generally is not permitted; each company in a group is required to file its own return. However, if certain conditions are satisfied, qualified “industrial companies” may file a consolidated tax return.

Filing and payment: Companies must file an annual tax return no later than five months following the end of the tax year (an extension to the filing deadline may be obtained in certain circumstances). The Israeli Tax Authority (ITA) determines the amount of tax prepayments by reference to a taxpayer’s prior year turnover and the tax payable for the prior year. Tax prepayments are made on a monthly or bimonthly basis.

Penalties: Penalties apply where prepayments are overdue or tax returns are filed late. The balance of any tax due is payable at the beginning of the following tax year. Overdue tax is subject to an annual 4% interest rate (both the interest and principal are linked to the Consumer Price Index (CPI)) for the period from the end of the tax year through the date of payment.

Rulings: A taxpayer may request a ruling on the tax consequences of a proposed transaction.

Individual taxation

Rates

Individual income tax rate	Taxable income	Rate
	Up to NIS 74,640	10%
	NIS 74,641–NIS 107,040	14%
	NIS 107,041-NIS 171,840	20%

	NIS 171,841–NIS 238,800	31%
	NIS 238,801–NIS 496,920	35%
	NIS 496,921–NIS 640,000	47%
	Over NIS 640,000	47% (50% (including surtax)
Capital gains tax rate		Varies

Residence: An individual is a resident of Israel if the individual's "center of vital interests" is in Israel. The number of days spent in Israel and overseas also affects residence status: there is an assumption (rebuttable by the taxpayer or the ITA) that an individual's center of life is in Israel if the individual has spent 183 days or more in Israel; or if during the current tax year, the individual spends 30 days or more in Israel, and the total number of days spent in Israel in the tax year and in the two preceding tax years, on a cumulative basis, amounts to at least 425 days.

An Israeli resident who spends at least 183 days abroad in each of two consecutive years, and whose center of vital interests in the two subsequent years was located abroad, is deemed to be a foreign resident as from the date the individual chose to leave Israel.

Basis: Israeli residents are taxed on their worldwide income. Nonresidents are taxed only on Israeli-source income.

Taxable income: All income from employment and/or a vocation is taxable, including the value of fringe benefits and cost-of-living allowances. Passive income from bank deposits and savings, both in Israel and overseas, also is taxable.

New Israeli residents and senior returning residents are entitled to a tax exemption for certain types of foreign-source income for a period of 10 years as from the date of immigration/return to Israel. The benefit period with respect to income from interest on foreign currency deposits may be extended for a maximum of a further 10 years, provided certain investment criteria are fulfilled.

Rates: Income tax rates are progressive up to 47%. An additional 3% surtax is levied on annual taxable income exceeding NIS 640,000. The surtax does not apply to certain types of income.

Capital gains: "Real" gains (i.e., the portion of gains not attributable to inflation) derived from the sale of shares are subject to tax at 25% if derived by non-controlling shareholders (those holding less than 10% of the Israeli company's shares); otherwise, the rate is 30%. Gains derived from the sale of bonds, commercial securities, or loans that are not linked to the CPI generally are subject to a 15% tax (however, a controlling shareholder that holds more than 10% of the Israeli company's shares is taxed on both the real and the inflationary component of gains at a rate of 20%).

The tax rates on capital gains on all other assets range from 20% up to the individual's marginal tax rate, depending on the date of acquisition and the type of asset (the minimum tax rate for the sale of shares of nonpublic companies by an individual holding more than 10% of the company's shares is 25%).

The inflationary component of gains accrued as from 1 January 1994 is exempt from tax (except as noted above). The inflationary component of gains accrued up to 1 January 1994 is subject to tax at 10%.

See "Capital gains" under "Corporate taxation," above for exemptions from capital gains tax.

Deductions and allowances: Deductions are granted for pension fund contributions, and individuals are entitled to various personal allowances and credits.

Foreign tax relief: Israel grants a direct tax credit for foreign taxes paid on non-Israeli-source income.

Compliance for individuals

Tax year: The tax year is the calendar year.

Filing status: A married couple living together may opt for separate tax assessment in certain circumstances; otherwise, they may file jointly.

Filing and payment: An individual must file an annual tax return no later than 30 April of the following year. An extension of the deadline or an exemption from filing may be granted in certain cases.

An Israeli individual whose only income is annual salary income that does not exceed NIS 653,000 on which tax is withheld at source by the employer is not required to file an annual return.

A new Israeli resident or a senior returning resident will not be subject to the reporting requirements in Israel on income derived from or accrued outside Israel, or sourced from assets outside Israel for the 10-year benefited period.

Penalties: Penalties apply if prepayments are overdue or if tax returns are filed late. The balance of any tax due is payable at the beginning of the following tax year. Overdue tax is subject to an annual 4% interest rate (both the interest and principal are linked to the CPI) for the period from the end of the tax year through the date of payment.

Rulings: A taxpayer may request a ruling on the tax consequences of a proposed transaction. An advance pricing agreement (APA) may be obtained.

Withholding tax

Rates

Type of payment	Residents		Nonresidents	
	Company	Individual	Company	Individual
Dividends	0%/15%/20%	15%/20%/25%/30%	4%/15%/20%/25%/30%	4%/15%/20%/25%/30%
Interest	23%	15%/20%/25%/35%/47%	0%/23%	0%/25%
Royalties	20%/30%	20%/30%	23%	25%
Fees for technical services	20%/30%	20%/30%	23%	25%

Dividends: No withholding tax is payable on dividends distributed by an Israeli resident company to another Israeli company, provided the dividends arise from income produced or accrued in Israel by a company that is subject to corporate income taxation.

Dividends paid to an Israeli resident individual generally are subject to withholding tax at 25%. A 30% rate applies where at the time of receipt of the dividend or at any time during the preceding 12 months, the individual held at least 10% of the shares of the payer company.

The ITA may issue an exemption certificate or a reduced withholding certificate allowing dividends to be paid to resident companies and individuals without the deduction of withholding tax or subject to a reduced withholding tax rate.

Dividends paid to a non-controlling foreign resident company or individual (a person that holds less than 10% of the shares of the Israeli payer) are subject to a 25% withholding tax; otherwise, the rate is 30%. These rates may be reduced under a tax treaty or incentive regime.

Dividends distributed by a preferred enterprise to a resident individual or nonresident shareholder are taxed at a 20% rate. No tax is payable on dividends distributed by a preferred enterprise to another Israeli company (provided the dividends are payable from income produced or accrued in Israel that has been subject to tax).

Dividends distributed by an approved/benefited enterprise to a resident or nonresident shareholder generally are taxed at a 20% rate if the distribution is made from profits attributable to the approved enterprise, or at a reduced rate of 4% on the alternative incentive track (“Ireland track”) if distributed to a nonresident. Where a distribution is made from profits generated during the benefits period of a program that was confirmed in 2013 or earlier, the tax rate is 15%. In certain circumstances, no tax is payable on dividends distributed by an approved/benefited enterprise to another Israeli company, provided the dividends arise from income produced or accrued in Israel that has been subject to tax.

Dividends distributed by a preferred technological enterprise or a special preferred technological enterprise to an individual out of technological earnings (earnings derived in the enterprise's ordinary course of business from a qualifying intangible owned by the enterprise) are taxed at a 20% rate. No tax is payable on dividends distributed by a preferred technological enterprise or a special preferred technological enterprise to another Israeli company, provided the dividends arise from income produced or accrued in Israel that has been subject to tax. When the distribution is made to a nonresident company, a reduced rate of 4% applies, which may be reduced under an applicable tax treaty.

Interest: Corporate income tax (currently 23%) is withheld from interest payments to a resident or nonresident recipient that is a “body of persons.”

The withholding tax rates applicable to interest paid to a resident individual are as follows:

- 20% on interest paid by a provident fund (15% where the interest is derived from amounts deposited in the fund before 8 May 2000);
- 25% on bank interest (15% where the interest is payable in respect of an asset that is not index-linked);
- 35% on interest paid on debentures or government bonds issued before 8 May 2000 to a recipient who at the time of payment of the interest, or at any time during the preceding 12 months, held less than 10% of the shares of the payer; and
- 47% where the recipient of the interest at the time of receipt of the interest or at any time during the preceding 12 months held at least 10% of the shares of the payer, is an employee of the payer, or provides services or sells products to the payer.

Any other interest paid to an individual is subject to withholding tax at 25% (15% where the interest is payable in respect of an asset that is not index-linked).

The ITA may issue an exemption certificate or a reduced withholding certificate allowing interest to be paid to resident companies and individuals without the deduction of withholding tax or subject to a reduced withholding tax rate.

Interest paid to a nonresident individual is subject to withholding tax at 25%. The withholding tax rate on interest paid to nonresidents may be reduced under an applicable tax treaty. A 0% withholding tax may apply to interest on certain public bonds held by foreign residents.

Royalties: Royalty payments made to resident entities and individuals are subject to withholding tax at 20% where the recipient can demonstrate that it maintains books of account and has filed returns; otherwise, the rate is 30%.

The ITA may issue an exemption certificate or a reduced withholding certificate allowing royalties to be paid to resident companies and individuals without the deduction of withholding tax or subject to a reduced withholding tax rate.

Royalty payments to nonresident entities and individuals are subject to withholding tax at 23% and 25%, respectively. The rate may be reduced under an applicable tax treaty.

Fees for technical services: Technical service fees paid to resident entities and individuals are subject to withholding tax at 20% where the recipient can demonstrate that it maintains books of account and has filed returns; otherwise, the rate is 30%.

The ITA may issue an exemption certificate allowing technical service fees to be paid to nonresident companies and individuals without the deduction of withholding tax where the income from the services is not taxable in Israel (i.e., provided abroad by a nonresident).

Technical service fees paid to nonresident entities and individuals are subject to withholding tax at 23% and 25%, respectively. The rate may be reduced under an applicable tax treaty.

Branch remittance tax: There is no branch remittance tax.

Other: Other payments to non-Israeli corporations and non-Israeli individuals are subject to withholding tax at 23% and 25%, respectively. The rate may be reduced under an applicable tax treaty. If a service is provided or business income is generated outside of Israel by a nonresident, and is therefore not subject to tax in Israel, approval not to deduct withholding tax may be granted by the ITA.

Anti-avoidance rules

Transfer pricing: The transfer pricing rules are based on the OECD guidelines, and apply to transactions between an Israeli resident and a related nonresident. A hierarchy of transfer pricing methodologies applies, with preference given to transaction-based methods over profit-based methods. Documentation requirements mandate that the taxpayer attach a statement to the annual tax return and provide a detailed transfer pricing study at the request of the ITA. An APA may be obtained.

Israel has signed the multilateral agreement for the automatic exchange of country-by-country (CbC) reports but has not yet introduced CbC reporting requirements. The necessary legislative process commenced in 2016 but has not yet been completed. Draft legislation issued for public consultation would amend Israeli transfer pricing legislation and regulations and introduce additional reporting and documentation requirements for multinational enterprises that include an Israeli entity but it is not yet known when the final legislation will be enacted.

Interest deduction limitations: There are no interest deduction limitations other than the restrictions under the transfer pricing rules.

Controlled foreign companies: A foreign company that is "controlled" by Israeli shareholders and that has accumulated undistributed passive profits taxed at a rate not exceeding 15% is considered a controlled foreign company (CFC). The Israeli shareholder controlling the CFC is treated as if it had received its proportionate share of the profits as dividends (deemed dividends). No deemed tax credit is granted on the deemed dividend. When the profits are distributed, the Israeli controlling shareholder is eligible for a deduction in the amount of the gross notional dividends that were subject to Israeli tax (limited to the amount of the distribution), in addition to a tax credit for foreign tax paid. If the tax credit cannot be utilized, the ITA will repay the credit to the taxpayer, generally indexed to take account of inflation.

Hybrids: There is no specific anti-hybrid legislation. However, provisions in the Income Tax Ordinance (ITO) that allow the ITA to recharacterize or disregard a transaction if tax avoidance is the main purpose of the transaction may apply. The OECD multilateral instrument (MLI) entered into force for Israel on 1 January 2019, and the application of the provisions of an applicable double tax treaty interpreted in accordance with the anti-abuse provisions of the MLI also may result in effective anti-hybrid measures.

Economic substance requirements: There are no specific economic substance requirements, although provisions in the ITO that allow the ITA to recharacterize or disregard a transaction if tax avoidance is the main purpose of the transaction may apply. The application of the provisions of a relevant tax treaty interpreted in accordance with the anti-abuse provisions of the MLI also may result in effective economic substance requirements.

Disclosure requirements: The taxpayer generally must disclose all facts relevant for tax purposes, particularly with respect to transactions with related parties. Taxpayers are required to disclose certain tax positions adopted and certain tax opinions obtained. An updated list of reportable tax positions is published annually by the ITA.

Exit tax: Israeli resident entities and individuals who cease to be Israeli residents for tax purposes are deemed to dispose of all assets (other than assets located in Israel, such as real estate, that remain within the charge to Israeli tax) the day before the change in residence status.

The asset generally is deemed to have been sold at fair market value, and the tax is payable on the date of the change in residence status. Alternatively, the assessment of the liability can be deferred to the date of the actual disposal of the asset when tax is payable on a proportion of the real capital gain based on the period for which the asset was held by the taxpayer as an Israeli tax resident. This proportionate capital gain calculation does not apply to assets liable to tax at the date of their realization but subject to the general capital gain rules.

General anti-avoidance rule: Provisions in the ITO allow the ITA to recharacterize or disregard a transaction if tax avoidance is the main purpose of the transaction

Other: Under certain circumstances, direct or indirect withdrawals of funds from a company by a substantial shareholder (including resident and nonresident companies and individuals) may be subject to taxation at the shareholder level as deemed dividends (or as employment or business income if the company has insufficient earnings to cover the amount of the dividends). Withdrawals of funds may include loans or other debts, or cases where a shareholder directly or indirectly makes use of a company's assets. Any direct or indirect withdrawal of funds that has not been returned by the shareholder within one year from the end of the year in which the funds were withdrawn is included in the shareholder’s taxable income.

Value added tax

Rates	
Standard rate	17%
Reduced rate	0%

Taxable transactions: VAT applies to most goods and services, and on imports.

Rates: The standard VAT rate is 17%. Certain items are subject to a 0% rate, including exported goods, intangible goods, the provision of certain services to nonresidents (such as tourism services), the transport of cargo to and from Israel, the sale of goods and services to the Eilat free trade zone, and the sale of fresh fruits and vegetables.

Payroll tax is levied on nonprofit organizations in lieu of VAT at a rate of 7.5% of payroll. For financial institutions, a 17% tax based on payroll and profits is imposed in lieu of VAT.

Registration: An Israeli company, or a foreign company conducting business in Israel, generally must register for VAT purposes. A nonregistered foreign company operating in Israel generally must register within 30 days. A foreign company registered in Israel or a nonregistered foreign company that carries on an activity or business in Israel must appoint a local representative for VAT purposes within 30 days of commencing its domestic activities and must notify the VAT office closest to its place of business.

Filing and payment: The business is required to collect output VAT on the goods, services, or assets it sells. The VAT collected is transferred to the VAT authorities either monthly or once every two months, whichever is determined to be more appropriate by the authorities based on the annual turnover projection (monthly if the annual turnover is greater than approximately NIS 1.52 million). The business may offset the output VAT against any input VAT paid in the course of doing business. The annual revenue threshold to qualify as an "exempt dealer" under the VAT law is NIS 100,491. Such businesses are exempt from output VAT and receive relief from filing periodic VAT returns (other than the declaration reporting the annual turnover). Exempt dealers are not entitled to recover their input VAT.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply both to companies and individuals and are imposed at the national level.

Social security contributions: National insurance is required by law (covering allowances and stipends for pensioners, widow(er)s, disability, maternity, children's allowances, industrial accidents, military service pay, and unemployment). Employers and employees are required to pay national and health contributions, and employee contributions are withheld by the employer.

In addition, every individual is subject to health care tax.

Payroll tax: There is no general payroll tax, but payroll tax is levied on nonprofit organizations in lieu of VAT at a rate of 7.5% of payroll. For financial institutions, a 17% tax based on payroll and profits is imposed in lieu of VAT.

Capital duty: Israel does not impose capital duty.

Real property tax: Property betterment tax applies to sales of real property. The principles of the tax are similar to those of capital gains tax. For companies, the betterment is calculated from the date of purchase until the date of sale, and the amount of betterment is subject to the corporate tax rate at the date of sale.

For individuals, the tax regime uses a linear tax model that taxes the real betterment at different tax rates, depending on the dates on which the betterment was accrued. Betterment accrued from the date of purchase up to 7 November 2001 is subject to the marginal individual tax rates; betterment accrued from 8 November 2001 to 1 January 2012 is subject to the marginal individual tax rates up to 20%; and betterment accrued after 1 January 2012 is subject to the marginal individual tax rates up to 25% (30% if the seller holds more than 10% of a real estate company).

If the asset is a residential apartment, all real betterment accrued before 1 January 2014 is exempt, and all subsequent betterment is subject to the marginal individual tax rates up to 25%, if certain conditions are fulfilled.

Individual purchasers of real property are subject to a purchase tax (acquisition tax) of 6%. When the asset purchased is a residential apartment, the purchaser is subject to purchase tax at progressive rates ranging from 0% to 10% (assuming the residential apartment is the only residential apartment owned by the purchaser).

In certain cases (especially when real property is sold), the municipal authorities may impose a "betterment levy" at a rate of 50% on the betterment the real property has gained as a result of actions of the local municipal authorities. The betterment levy paid may be deducted from the betterment subject to the property betterment tax.

Transfer tax: See under "Real property tax."

Stamp duty: Israel does not impose stamp duty.

Net wealth/worth tax: Israel does not impose a net wealth tax or a net worth tax.

Inheritance/estate tax: Israel does not impose an inheritance tax or an estate tax.

Other: A purchase tax (also applicable to individuals) is levied on certain imports or local industrial production and is collected from local manufacturers 15 days after the end of the month in which the goods are sold. Importers are required to submit the collected tax when the goods are released from customs.

Tax treaties: Israel has more than 60 tax treaties. The MLI entered into force for Israel on 1 January 2019. For information on Israel's tax treaty network, visit Deloitte International Tax Source.

Tax authorities: Ministry of Finance, Israel Tax Authority

Contact us:

Aviram Gueta
Email: agueta@deloitte.co.il

Yitzchak Chikorel
Email: ychikorel@deloitte.co.il

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