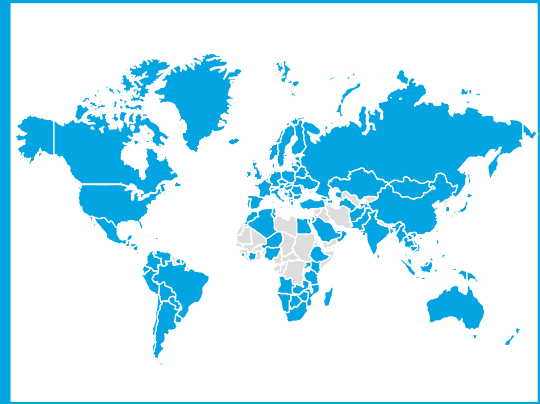


EXPATRIATES

Israel

Tax facts for international assignees



INCOME TAX: WHO IS LIABLE

Resident individuals are taxed on their worldwide income, including capital gains, subject to the limitations of applicable income tax treaties.

According to Section 1 of the Israeli Tax Ordinance ("ITO"), an individual is deemed to be a resident of Israel for tax purposes if his/her "center of life" is in Israel. In order to determine where an Individual's "center of life", all his/her ties to Israel including, inter alia, his/her family, economic and social ties shall be taken into account. These ties include, inter alia, the following:

- The place of his/her permanent home;
- His/her family's place of residence;
- His/her regular or permanent place of business or the place of his permanent employment;
- The place of his/her active and substantive economic interests;
- The place of his/her activity in organizations, societies and various institutions.

In addition, it is assumed that an individual's life is centered in Israel in a given tax year if:

- They spent 183 or more days in Israel in the tax year; or
- They spent 30 days or more in Israel in the tax year and the total period of their stay in Israel in the tax year and the two years prior, was 425 days or more.

These assumptions may be refuted by both the individual and by the assessing officer.

In addition, an individual will be considered a "foreign resident" in accordance with the ITO, if he/she is not considered an Israeli resident as defined above and:

He/she spent 183 or more days outside Israel in that tax year and the following tax year.

His/her center of life in the subsequent two tax years (i.e. years three and four) is outside Israel.

BREAKING RESIDENCY - EXIT PROCEDURES

To break Israeli residency, an individual should minimize his/her family, economic and social ties to Israel.

Exit Tax

According to section 100A(a) to the ITO, the assets of a person ceasing to be an Israeli resident shall be deemed to have been sold one day before he ceased to be an Israeli resident.

According to section 100A(b) to the ITO, the individual can postpone the payment over the tax liability from his/her termination of residency to the time which the assets in question are actually sold. Notwithstanding, different rules apply to assets which are subject to tax in Israel regardless of the change in residency of the individual.

Upon the time of sale of the assets in question, Israeli tax should be paid on the FMV value of the capital gain which is calculated from the day the asset in question was acquired to the termination of residency date.

Reporting Requirements

According to Amendment 223 to the ITO an individual who fulfills one of the above quantitative assumptions to the definition of Israeli resident, but claims that he terminated his Israeli tax resident, is required to submit an annual tax return and prove that his center of life is not in Israel while including Form 1348.

INCOME TAX RATES

Tax rate	Income (in NIS)
10%	1 - 75,960
14%	75,961 - 108,960
21%	108,961 - 174,960
31%	174,961 - 243,120
35%	243,121 - 505,120
47%	505,121 - 651,600
50%	over 651,600

SOCIAL TAX RATES

The maximum taxable earnings amount for social security is 44,020 NIS per month.

- Employer: 3.55% for monthly income of up to 6,331 NIS, 7.6% on the excess up to 44,020 NIS.
- Employee: 0.4% for monthly income of up to 6,331 NIS, 7% on the excess up to 44,020 NIS.

Additionally, there is a Medicare Hospital Insurance tax that is charged on earned income:

- Employee: 3.1% for monthly income of up to 6,331 NIS, 5% on the excess up to 44,020 NIS.

Foreign resident individuals may be subject to lower social security rates, if his/her country of residence is a treaty country with Israel.

Additionally, where Israel has entered into a Social Contributions Agreement with the resident country of an Individual who remains employed by a company from that country, he/she be exempt from Israel social taxes. In order to utilize this exemption, he/she should obtain a Certificate of Coverage from the home country.

For further information and to register for future updates contact expat@bdo.global

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