Tax break package for new immigrants and returning residents

The main benefits for new immigrants and returning residents who became citizens since January 1st 2007 and onwards are as follows:

- 10 years exemption from tax paying on foreign-source income (i.e., income derived outside of Israel).
- 10 years exemption from declaring on foreign-source income which are exempted.
- 10 years exclusion from definition as an Israeli company resident - for a company established abroad and owned by an "Oleh" or a "Senior Returning Resident".
- Option to be considered a foreign resident for taxation purposes, for one year from arrival.
- 3.5 years of entitlement to tax credit, with options of extension.

Who is entitled to the tax benefits?

- **"Oleh"** - New immigrant.

  "Senior Returning Resident" - Individuals who returned to Israel after they lived continuously outside of Israel, and returned to Israel not sooner than 10 years after having ceased to be a resident of Israel. Those individuals will be considered as "Oleh".
- **One-time measure** - Individuals who returned to Israel during the years 2007-2009 are considered as "Senior Returning Resident" even if lived continuously outside of Israel for at least 5 years (instead of 10 years).

Income entitled to tax benefits:

Passive income - 10 year **exemption on dividends, interest, rent, royalties and pensions generated by assets held overseas.**

- Capital gain - **10 year** exemption on capital gain from the alienation of assets located abroad. **Extended to assets located abroad acquired after becoming**

Israeli resident.

- Business income - **10 year** exemption on business income generated by assets held overseas.
- Vocational and labor income - **10 year** exemption on salaries and income from activities of independent nature, generated abroad. **Applies to business and occupation acquired or started before or after becoming an Israeli resident.**

Optional track for adapting:

A one-year period of adjustment from the date of arrival in Israel is granted upon request, which enables the individual to choose not to be considered as an Israeli resident for tax purposes during this one-year period. The request for the adjustment year must be submitted within 90 days from the date of arrival in Israel.

Foreign companies held and owned by "Olim" and Senior returning residents:

A company established abroad and owned by an "Oleh" or a "Senior Returning Resident", will not be considered as an Israeli company for taxation purposes for a period of 10 years, and thus will be exempt from taxes in Israel during this period on foreign- source income (i.e., income derived outside of Israel).

Tax credits:

All Israeli residents are entitled to 2 credit points (reduction of NIS 430 per month from the tax liability), as well as 0.25 additional points for a working man and 0.75 points for a working woman, **which are not taxed.**

Working Olim are entitled to **additional points** on top of that, for a period of **three and a half years** following their Aliyah. This benefit may be extended whilst carrying out compulsory army service and whilst studying at university or college. Apply for this benefit by filling out the relevant sections of form 101 (filled out upon start of employment and at the beginning of every year through your employer):

- For the first 18 months - 3 additional credit points (reduction of NIS 645 per month or NIS 11,610 for the first 18 months)
- For the following 12 months - 2 additional credit points (reduction of NIS 430 per

month or 5,160 annually)

- For the following 12 months - 1 additional credit points (reduction of NIS 215 per month or NIS 2,580 annually)

Additional reductions are available for parents of young children, working mothers, discharged soldiers and many other reasons.

Income Tax bands from work income (updated 1/1/2017)

MONTHLY INCOME	YEARLY INCOME	MARGINAL TAX RATE
0 - 6,220 NIS	0 - 74,640 NIS	10%
6,221 - 8,920 NIS	74,641 - 107,040 NIS	14%
8,921 – 14,320 NIS	107,041 – 171,840 NIS	20%
14,321 - 19,900 NIS	171,841 - 238,800 NIS	31%
19,901 - 41,410 NIS	238,801 - 496,920 NIS	35 %
Each additional shekel	Each additional shekel	47%

Additional Tax - High leveled chargeable income will be taxed an additional 3% tax for every Shekel above 53,333 NIS monthly income (or 640,000 NIS annual income).
The income between 41,411 and 53,333 NIS will be taxed at 47% while every Shekel above that sum - will be taxed in additional 3% tax.