

Proposed Tax Exemptions to be granted to New Immigrants and Returning Residents to Israel

On the occasion of the 60th year celebration of The State of Israel and the 'Coming Home – Israel at 60' Project, the Finance Ministry together with the Immigration and Absorption Ministry, have promoted a program granting tax exemptions and benefits to new immigrants and returning residents. The program is at an advanced stage of legislation proceedings in the Knesset (The Israeli Parliament). Within the new program, Israeli residents returning to Israel from the Diaspora will be granted with a special benefit basket in areas of employment, health insurance and tax.

Among the suggested tax benefits:

Exemptions and Benefits to New Immigrants

Prolonging the tax exemption period for business incomes of new immigrants earned outside of Israel, to 10 years (instead of 4 years as valid today).

Extending the tax exemption period for business incomes of a new immigrants, even with regard to business incomes that were established outside of Israel *after* his immigration, to 10 years.

Extension of the tax-free exemption period to 10 years, even in respect to incomes of occupation that were earned abroad.

Extension of the tax exemption period on passive income earned abroad (rent, interest, dividends etc.) for new immigrants, to 10 years (instead of 5 years as valid today).

Extension of the tax exemption period for passive incomes of new immigrants earned abroad, even if those sources of income were established *after* his immigration, to 10 years.

Extension of the exemption period for capital gains tax to at least 10 years, even on assets that were purchased by the new immigrant after his immigration to Israel, and not just on assets that were under his ownership at the moment he immigrated.

Companies that are controlled by a new immigrant will not be considered as Israeli residents just because their main equity holder has immigrated to Israel.

Adjusting Period – a non-binding one-year period from the date of arrival for the individual during which he is free to "regret" and leave the country without being considered as a resident of Israel for tax purposes.

Exemptions and Benefits Returning Residents

According to the revised law, in the years 2007, 2008 and 2009 a special tax status will be established for a returning resident who remained outside Israel for at least 5 years since the day of his departure. From the year 2010 this special status will be given to those who have remained outside Israel for at least 10 years (hereafter referred to as "**Senior Returning Resident**").

A **Senior Returning Resident** will also receive all the benefits and extensions given to new immigrants, as stated above.

The above is just a partial description of the relevant proposed changes currently being legislated. The final acts of legislation may change and/or include further issues. Whereas the applicability of the above exemptions and benefits once enacted is subject to verification and examination of the specific circumstances, we recommend to seek appropriate advice.

For further information, please contact:

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