



שטרק & שטרק STARK & STARK
רואי חשבון Certified Public Accountants (Isr.)
רח' היצירה 12, ק. אתגרים, רעננה 12 Hayetsira St., Kiryat Etgarim, Raanana
ת.ד. 2600, רעננה 43663 P.O. Box 2600, Raanana 43663
טל. 09-7774000, פקס. 09-7774001 Tel. 09-7774000, Fax. 09-7774001
stark@starkcpa.com E-mail: stark@starkcpa.com
משה שטרק, ר"ח, ב.א. כלכלה **MOSHE STARK**, C.P.A. (Isr.), B.A. (Econ.)
איריס שטרק, ר"ח, מ.א. כלכלה **IRIS STARK**, C.P.A. (Isr.), M.A. (Econ.)
עינת דואניס, ר"ח, ב.ב. חשבונאות **EINAT DUENIAS**, C.P.A. (Isr.), B.B.



December 2018
Circular to Clients
End of 2018 – Beginning of 2019

Dear Clients,

We are pleased to distribute the Annual Professional Circular for 2018, to help you prepare for the end of the year, and the beginning of the next year.

Tax years 2017 and 2018 brought significant changes in all tax areas that requires advance preparation and planning.

Listed below is a summary of the main developments and changes that have occurred over the past year. For further details, please see the information in the relevant sections. We hope that this circular will help you make decisions and plan your future activities.

Out of concern for a green environment, we have chosen this year to send the Circular as an electronic edition only. It can also be found on our firm's website at: <https://www.starkcpa.com/en>

We are always at your service for further information.

Given the complexity of some of the issues, we recommend consulting with our office before carrying out any actions.

Yours sincerely,

Stark & Stark
Certified Public Accountants

Do not rely solely on this circular and do not make use of its contents in any way whatsoever without seeking appropriate professional advice. The purpose of this circular is to draw your attention to that which is said therein.



Chapter 1 –

Key Year-End Focuses and Recommendations, including Major New Legislation

In the Economic Plan Law (Legislative Amendments for Implementation of Economic Policies for the 2017 and 2018 Budget Years (2016)) – "the Arrangements Law", several laws were enacted:

- Reduction of the salary limit to be liable for additional tax to NIS 641,880, as well as an increase in the incremental tax rate to 3%.
- Taxation of money withdrawals by the major shareholder as income (Section 3I(1) of the Ordinance).
- Taxation of the income of companies that will be defined as "wallet companies" as the income of the individual who is the major shareholder (Section 62 of the Ordinance).
- Gives authority to deem undistributed profits as though distributed (Section 77 of the Ordinance).
- Employer deposits for severance pay on salaries exceeding NIS 32,000 shall be deemed income to the employee when deposited.
- Law for Reducing the Use of Cash.

Toward the end of Tax Year 2018, we summarized several updates and advice relating to preparations for the end of the tax year and tax savings still in this year.



1. Expansion of the reporting requirement applies to taxpayers

There was a reduction in the amount of taxpayers exempted from filing a tax statement and there is an obligation to submit an annual tax report in the following cases:

- An individual and/or spouse to be taxed further in accordance with Article section 121 (b) of the Ordinance (people whose taxable income as defined in section 121 (b) is in excess of 641,880 NIS as of 2018) - taxpayers who are subject to a surtax.
- Persons with a sales volume from Stock exchange securities who are not exempt from tax, exceeds the amount provided for in section 121 of the Income Tax Ordinance (641,880 NIS as of 2018).
- An individual, who claims he is not an Israeli resident, following the test center of life, but the presumption of days applies to him, should prepare a report, detailing the facts on which his claim is based, that he is not an Israeli resident.
- An individual Israeli resident who, in a period of 12 months, transferred funds abroad in a total amount of 500,000 NIS or more. The report shall be submitted for the year in which the reported amount was transferred and for the following year.
- Israeli resident beneficiary who reached the age of 25 years, and the value of the trust assets at the end of the tax year was at least 500,000 NIS.



2. **Tax Rates Companies:** In accordance with government policy, it is proposed to reduce the corporate tax rate from 25% to 23% in two stages, as follows:

Tax year 2017 - the corporate tax was 24%.

Tax year 2018 and thereafter - corporate tax is 23%

Individuals: The maximum marginal tax rate in 2018 is 47% (excluding surtax of 3% on taxable income exceeding the amount of 641,880 NIS).

The tax rate on real income from interest, dividends and capital gains from the sale of marketable securities is 25% (a substantial shareholder 30%).

Tax rates for Individual in the tax year 2018:

Monthly revenue earned (over 60 years old - from all sources of income)	Tax rate in 2018 and thereafter
For each NIS up to the first 6,240	10%
For all NIS between 6,241-8,950	14%
For all NIS between 8,951-14,360	20%
For all NIS between 14,361 -19,960	31%
For all NIS between 19,961 – 41,530	35%
For all NIS over 41,530(*)	47%
For all NIS up to 19,960	31%
For all NIS between 19,961 – 41,530	35%
For all NIS above 41,530(*)	47%

(*) Over the total annual income of the individual from all sources of 641,880 NIS, imposed an additional tax of 3%.

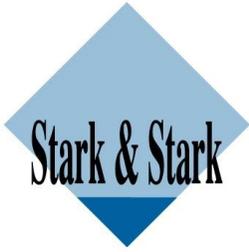
Monthly credit point = 216 NIS from January 1, 2018



3. Voluntary Disclosure Procedure

In the wake of the intensified battle against unreported capital and efforts by the Tax Authority to expose information on the income and capital of tax evaders who did not properly report their income and capital, the Tax Authority announced that it was decided to renew the Voluntary Disclosure Procedure commencing **from January 2018 through December 2019**, and to give another opportunity to the owners of "unreported capital" to declare their capital, pay the tax owed to the tax authorities, and thereby avoid criminal proceedings by the tax authorities:

- Anonymous track – In this track one can file applications, in the initial stage, without providing details on the taxpayer, in order to clarify the tax liability resulting from the application. When the expected tax liability is clarified, the applicant will be required to state the name of the taxpayer and complete particulars. **According to the temporary order, it is possible to file applications on the anonymous track until December 31, 2018.**
- Abbreviated track – When the total capital included in the application is less than NIS 2 million and the taxable income deriving from it does not exceed NIS 0.5 million, one may submit an application on the abbreviated track, together with the relevant amended tax returns. Upon approval of the application, the applicant will be issued a payment voucher. Upon the timely payment of the voucher, the applicant will be sent a notification that a criminal investigation will not be opened against him with respect to the information provided.



4. Tax payments for the year 2018

Social Security for self-employed

It is recommended to pay the advance for December 2018 (the legal date of payment is January 15, 2019) before the end of the year, so it can be recognized as a deduction in 2018.

Income tax (companies and self-employed)

Preparation of estimated tax calculation allows for supplementing the difference between the income tax actually paid and the calculated tax. For 2018 tax payment for taxes should be made as soon as possible.

Amount of tax paid by January 31, 2019, is exempt from linkage and interest.

Amount of tax paid by February 28, 2019, will be exempt half of the difference in linkage and interest.

Amount of tax paid by March 31, 2019, will be exempt a quarter of the difference in interest and linkage.

5. Regulations on Payments to Provident Funds Taking Effect

Commencing from January 2016, the new regulations arranging employer reporting for provident funds took effect (including senior employees insurance, pension funds, provident funds and study funds). The regulations arrange the transmission of the data and instructions from the employers to the provident funds with respect to payments and information about insured parties and members through on-line reporting, beginning with the salary for February 2018 the regulations are on all the employers.

The regulations impose full responsibility on the employers – with respect to financial reporting and control over their inputting.



The regulations will enable proper monitoring of the deposits into the funds and will facilitate, among other things, calculation of the recognized allocation.

6. Completion of income tax payment for Israeli residents for foreign income

Individuals who are Israeli residents can submit a report of their foreign incomes through “an abbreviated reporting mechanism”, for which a limited tax rate is determined, on condition that the report and payment will be made by April 30, 2019 through payment vouchers.

"Foreign incomes" are incomes from which the full tax was not deducted at source and are of the following categories:

- Interest income from foreign banks
- Real-estate rental abroad
- Interest on foreign securities
- Dividends from abroad
- Income from lotteries and gambling awards from abroad
- Capital gains from securities trading abroad

It must be emphasized that according to the ordinance, offsetting losses from abroad, will be possible only with the submission of the annual report and submittal of the "abbreviated reporting mechanism" does not provide offsetting losses, during down-payment.



7. n-line VAT – Reporting Requirement

Exempt dealer is required to report turnover of transactions to VAT by January 31, 2019. Transactions turnover of an exempt dealer in 2018 amounts to NIS 99,003.

8. Donations

A credit in respect of donations, at a rate of 35% for individuals and 23% for companies (for the year 2018) is given only in respect of donations to public institutions approved by the Ministry of Finance.

In 2018, this credit will be given in respect of all donations made by the taxpayer in the tax year, as long as he has donated at least 180 NIS. The maximum credit given will be on donations of up to 9,211,000 NIS or donations at a rate of up to 30% of the taxpayer's taxable income, whichever is the lower.

In respect of donations which exceed the ceiling in the tax year, a credit will be given in respect of the three following tax years consecutively (and only if in each of these three tax years credit of a total amount of donations exceeding the credit ceiling has not been given).

It is important to keep the original receipts in order to receive the credit, and one should ensure that it is explicitly stated that the amount was given as a donation, and that the institution has an income tax approval for donations per Paragraph 46 of the Income Tax Ordinance.



Recognition of a receipt for donations sent as a “computerized document”

A computerized receipt is a receipt sent as a “computerized document,” which is a file that was sent through a computerized method such as e-mail. Section 18b of the Income Tax Regulations (Maintaining Accounts), 5733-1973, stipulates that when printing a receipt that is a computerized document, the words “computerized document” must appear prominently. The definition of a computerized document and the conditions for sending documentation as a computerized document are specified in **Income Tax Circular 24/2004**, as aforementioned. This type of document does not have to be signed manually by the party receiving the donation, and a digital signature that can be identified by checking the file that is sent to the donor is sufficient.

9. Deposits to Study Fund

Study is the only deposit instrument that can be withdrawn within a relatively short period and with a tax exemption.

- Self-employed – Within the framework of the Economic Efficiency Law (Legislative Amendments to Achieve Budget Goals for Years 2017 and 2018) – 2016, Amendment 231 to the Income Tax Ordinance was enacted, which made the provision for study fund for the self-employed significantly easier.

Commencing from Year 2017, a self-employed person may deposit 4.5% of his income into a study fund and be entitled to tax benefits on this amount, independent of the deposit of an additional 2.5% to the study fund that is not entitled to tax benefits, as required prior to the Amendment (through Tax Year 2016 inclusive).



Therefore, in Year 2018, a self-employed person can deposit into a study fund 4.5% of the income from a business or profession, not to exceed NIS 261,000 (maximum deduction of NIS 11,745).

- The deposit to the study fund constitutes a reduction in income also for the purpose of National Insurance (at the amount of the allowable deduction).
- **Salaried employees who are controlling shareholders** – The allowable ceilings for deposits by controlling shareholders to a study fund – 4.5% on account of the employer and 1.5% on account of the employee, out of the annual income ceiling of NIS 188,544 (as of Year 2018).

10. Law on Mandatory Pension for the Self-Employed

As of January 2017, legislation took effect obligating self-employed people to contribute to a pension plan.

The obligation to contribute applies to every self-employed person over the age of 21 and up to the age of early retirement (currently 60 years of age), who works as a self-employed for more than 6 months.

However, the self-employed who at the time of the legislation were over the age of 55 (i.e., born before December 31, 1961), are not obliged to contribute to pension.



The mandatory monthly pension contribution is deduced from the self-employed's taxable income and is calculated based on the 'average' gross salary in Israel (as publicized by Bituach Leumi [*National Insurance Institute*] the average gross salary for 2018 is NIS 9,906), in accordance with the following table:

Average monthly income	Minimum mandatory contribution (%)	Minimum Mandatory Contribution (NIS)
NIS 0– NIS 4,953	4.45% of the average monthly income	Up to NIS 220 per month (based on NIS 4,953 x 4.45%)
NIS 4,953 – NIS 9,906	4.45 % of income up to NIS 4,953, and 12.55% of income above NIS 4,953	Up to NIS 842 per month (based on NIS 4,953 x 4.45% and NIS 4,953 x 12.55%)
Above NIS 9,906 (*)	8.5% of NIS 9,906	NIS 842 per month

(*) For the part of the monthly income exceeding the average wage (NIS 9,906), there is no obligation to contribute. However, in order to benefit from a larger pension and increased tax benefits, it is recommended to contribute as much as possible.

Nevertheless, there is an annual ceiling for contributions to the pension fund that are entitled to income tax benefits. The deposit is limited to 16.5% of taxable income, with an annual salary ceiling of NIS 208,800 in 2018. Therefore, the maximum annual deposit is up to NIS 34,452 per year and NIS 2,871 per month.

11. Increase in minimum wage

In the wake of a new collective agreement signed between the New Histadrut Labor Federation and the Presidium of Business Organizations, the Minimum Wage Law was amended. Effective December 1, 2017, the minimum wage is NIS 5,300 for a full time position.



12. Rental Income from Properties in Israel

In the case of **income from residential rental** comprising passive income, on condition that the tenant is an individual (including a representative taxpayer in a family company) and that the property is used for residential purposes in Israel – the taxpayer may choose from one of three tax calculation tracks:

- **Tax exemption up to a monthly ceiling** – in 2018 the monthly exemption ceiling is 5,030 NIS.
- **A reduced 10% tax on the sum of the gross income, with no specific ceiling.**(*)
Anyone opting for this track is required to pay the tax not later than 31 January 2019(unless the taxpayer made advance tax payments during the year).
- **Taxable track** – On this track, full tax is paid on the net income, after deduction of expenses and depreciation.

(*)On January 2, 2018, the Supreme Court ruled in Civil Appeal 7204/15 **Leshem** and Civil Appeal 8236/16 **Biran**, regarding appeals filed by the Tax Authority, which were consolidated for hearing purposes. The ruling accepted the Tax Authority's position that when over 20 residential apartments are rented, the income in respect thereof will be considered business income that is eligible for taxation at a rate of 10%.

Following the ruling, on February 7, 2018, the Tax Authority issued a draft circular, specifying the considerations according to which the classification of income from the rental of residential apartments is to be examined as business income as opposed to passive income. According to the Tax Authority's position, income from the rental of 10 or more residential apartments will be classified as business income. Additionally, in order to allow a certain amount of certainty, the Authority assumes that income from the rental of up to 5 residential apartments will be considered passive income.



Rental of more than 5 residential apartments, but less than 10 will be examined in accordance with the various tests presented in the draft of the circular, and according to which its nature as business income or passive income will be determined. **To date, a final version of the circular has not yet been published.**

Option for combined calculation of income from several rental incomes

An Income Tax Circular has recently been issued regarding tax reliefs on the income of an individual from renting residential apartments. Those who rent more than one apartment may choose one of the different alternatives: an exemption or 10% or a Marginal Tax payment for each of the apartments in his possession.

Regarding the determination of the amount of exempt income and the excess over the tax exemption ceiling, income from all residential apartments will be taken into account.

So as to avoid doubt, it is not possible to request exemption and a reduced course of 10% for the same apartment.

Exceeding the tax exemption:

When the amount of monthly income from rent exceeds double the exemption ceiling (10,060 NIS), there will be no exemption at all, and the entire amount of income will be taxable.

This is a somewhat significant relief for owners of two or more apartments, therefore it is recommended to contact our office for an accurate calculation.



13. Rental income from properties abroad

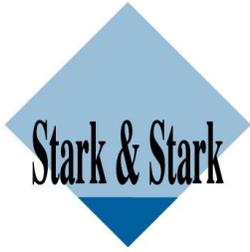
Individuals with income from abroad have the option of two tax tracks:

- A marginal tax rate that may be offset against expenses and depreciation, and the taxpayer may receive credit for tax paid abroad.
- A reduced tax rate of 15% on the gross income after depreciation deduction with no entitlement to deduct or offset the tax abroad.

In the case of several properties, tax may be calculated for each property separately, using the track most suitable for the specific property.

14. Increase of purchase tax for investors

As of January 16 2018, purchase tax on the acquisition of second or additional apartments will be at the rate of 8% on the portion of the value up to 5,905,570 million NIS, and 10% above this amount.



Chapter 2 – General Provisions of the Law

1. Tax Planning that Requires Reporting

Tax planning is not a crime. In our economic reality, the taxation issue is a respectable part of all business activity. Therefore, it would be beneficial for every taxpayer to plan and examine his tax liability from all aspects. Planning of the tax liability is interpreted as choosing among several business and legal alternatives. Every taxpayer is allowed and entitled to choose for himself the alternative by which he will have the lowest tax liability.

On December 26, 2016, the Tax Authority published a list of positions regarding income tax and land tax, VAT and customs that require reporting and makes sure to publish new positions that require reporting throughout the year.

The non-reporting of tax planning, as noted, will be deemed a criminal act under Section 216(8) of the Income Tax Ordinance. It is recommended to obtain individualized consultation from our firm, if necessary.

In the regulations published, there are details about who is subject to the filing requirement. Heavy penalties will be imposed for non-filing.

2. Holdings and income in respect of foreign assets

We call your attention to the fact that you must report the holding of foreign assets (including real estate and shares of companies abroad). All types of assets and income in respect thereof must be reported in 2018. Please obtain the relevant confirmations and send them to our office.



3. Trusts

If a resident of Israel is a beneficiary or a future beneficiary of a foreign trust, the trust must be reported, and reports must be filed in Israel. Therefore, if you are beneficiaries of such a trust, please contact our office for guidance on the matter.

4. Residency Declaration Form (Number 1348)

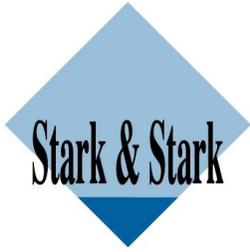
In January 2018, the Authority published the Residency Declaration Form, which is an appendix to the tax return. On the form, the tax payer must list the number of days present in the tax year and the two years preceding it, the country of residency along with confirmation of residency and answer a questionnaire regarding the center of life.

5. Withholding tax from assets and services

The requirement to withhold tax from payments for services or assets is imposed in accordance with the "Income Tax Order (Determination of Payments for Services or Assets as Income) – 1977", that was amended according to Section 164 of the Income Tax Ordinance.

The intention is withholding tax from anyone who does not have a withholding tax obligation by virtue of a specialized order, such as: office services, rental income, salaries, etc.

It should be noted that it is a **requirement** to examine the updated withholding tax rate of payment recipients on the income tax website. This examination is recommended whenever one begins working with a new vendor or service provider.



The withholding requirement is imposed on: anyone with business turnover exceeding the limits designated, certain bodies regardless of their turnover, or anyone required to maintain books of account using double-entry bookkeeping.

A one-time payment to a vendor or service provider that is not a regular vendor or service provider, for which the payor does not maintain a receivable/payable ledger account, up to the sum of NIS 4,920 is exempt from withholding.

An annual authorization is to be furnished for every vendor, as well as preparation of an annual summary (**Form 856**) of amounts paid, details of the recipients and the tax withheld, reconcile them with the records on the books of account, and file it with the Income Tax Authority by April 30, 2019. The information is transmitted on the Internet.

This reporting must be prepared also for suppliers and service providers that have a full exemption from withholding tax and not tax was withheld from them.

6. Green Track for Money Transfers for Overseas Investments

Transfers of payments to foreign residents through banking corporations require, in many cases, withholding tax approval of the Assessing Officer, except for cases in which it is determined that these payments are exempt from withholding tax for various reasons.

In order to make it easier for Israeli residents who invest in assets and loans overseas, the Tax Authority will enable the transfer of tax-exempt payments through a declaration form to be completed in the bank branch (or on-line in the banking system), without the need to arrive at the Tax Authority's offices to obtain approval.



The Green Track is intended for the following types of payments: investment in the shares of a body of persons, investment in real estate overseas, investment in other assets overseas (only tangible assets), providing loans to a foreign resident, providing shareholder loans to a body of persons.

The banks will be allowed to transfer payments, as noted, based on the declaration form and upon fulfillment of the following cumulative terms:

- Transfer of the payment is to a resident of a country with which Israel has a tax treaty, and to a bank account in a treaty country.
- The payment is exclusively for one of the aforementioned types of payments.
- The declaration form (2513/2) is completed and retained by the banking corporation, and will be filed with the Tax Authority upon its request.

[To download the declaration form for a payment to a foreign resident exempt from withholding tax \(Form 2513/2\)](#)

[To download the declaration regarding payment to a foreign resident and a request to reduce the withholding tax \(Form 2513/1\)](#)



7. Taxation of activity with virtual currency

In 2018, the Tax Authority issued a professional circular on taxation of activity with “virtual currencies” (Bitcoin). According to the position held by the Tax Authority, it is an asset and not a currency as far as the tax laws are concerned. The circular sets out the position of the Authority regarding taxation of activity with Bitcoin, shedding light on several aspects in terms of tax laws, as follows:

For income tax purposes: Virtual currency is an asset and, therefore, anyone whose activity does not constitute a business, when relating solely to increased value when it is sold, capital gains tax will be paid, while someone whose activity in the field constitutes a business will pay tax as any business activity.

For VAT purposes: A virtual currency is viewed as an intangible asset and, therefore, anyone whose activity in the field is solely for investment and does not constitute a business, does not have to pay value-added tax.

A business whose receipts are received in Bitcoin will pay VAT in accordance with its business activity, regardless of the manner of receipt. When sold, it will again not pay VAT.

Anyone whose activity in virtual currencies constitutes a business (from commerce, as aforementioned) is classified as a “financial institution” for the purpose of the VAT Law, while anyone whose activity is mining of these coins, will be classified as a “business” in terms of the VAT Law.



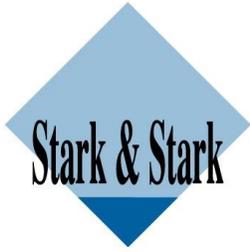
8. Law for Reducing the Use of Cash

On March 18, 2018, the Law for Reducing the Use of Cash was published. The purpose of the law is to set limits on the use of cash and negotiable checks, in order to reduce the amount of dirty money and to help the fight against criminal activity, including serious crime, tax evasion, money laundering and terror financing.

The law limits the transactions for which payment may be effected in cash to transactions where the price of the transaction, as defined in the law, is:

1. NIS 11,000, when the payer or recipient of the payment is a business;
2. NIS 50,000 when the two parties to the transaction are not businesses;
3. NIS 55,000 when the one of the parties to the transaction is a tourist;
4. NIS 11,000 for receipt or cash payment of wages, donation or loan, with the exception of a loan extended by a regulated financial body.
5. NIS 50,000 for receipt or payment in cash of a gift.
6. Lawyers and accountants will not accept an amount in cash beyond the sums specified above, when they provide business service to a client, as defined in Section 8b of the Anti-Money Laundering Law, 5760-2000.

The limitations determined for the use of cash will not apply to cash transactions among family members, as defined in the law, **which are not** payment of wages. Additionally, as a temporary provision for a period of two years from publication of the law in the official government gazette (*Reshumot*), it was determined that free-loan societies (*gemachim*) may also extend loans in cash, like regulated financial bodies.



The law also sets limits on the use and endorsement of checks, including:

1. Prohibition against endorsement of a check or receipt of an endorsed check without the details of the endorser appearing on the check (“open check” or a check that is “endorsed in blank”) when the issuer or recipient of the check is a business;
2. Prohibition, as aforementioned, against a check that exceeds NIS 5,000, when the issuer and the recipient of the check are not a business;

The law stipulates an obligation on business to document the means of payment through which it effects payment or receives a receipt, and imposes an obligation on anyone who acquires rights to land to include information regarding the means of the payment through which the consideration was provided in the declaration submitted in accordance with Section 73 of the Land Taxation Law.

The penalty for violation of the provisions of this law by a private person or business:

1. Criminal punishment for an act of fraud performed in an attempt to evade the prohibitions stipulated in the law is three years of imprisonment.
2. A fine of 15%-30% of the amount paid in cash against the law.

The law will enter into effect as of January 1, 2019.



Chapter 3 –

National insurance institute

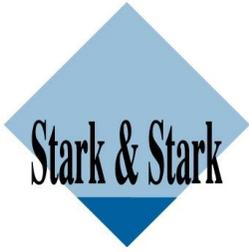
1. National insurance Income Ceiling

Income Ceiling for National Insurance for Individuals in 2018 was NIS 43,370 per month.

2. National insurance rates for 2018:

Self Employed		
	For part of income up to 60% or the average wage (reduced rate) NIS 5,944	For part of income over 60% of the average wage to maximum income for National Insurance purposes (full rate) NIS 43,370
National Insurance Fee	2.87%	12.83%
Health Insurance Fee	3.10%	5.00%
Total	5.97%	17.83%

Salaried Employees						
	For part of income up to 60% or the average wage (reduced rate) NIS 5,944			For part of income over 60% of the average wage to maximum income for National Insurance purposes (full rate) NIS 43,370		
	Employer	Employee	Total	Employer	Employee	Total
National Insurance Fee	3.45%	0.40%	3.85%	7.50%	7.00%	14.50%
Health Insurance Fee	--	3.10%	3.10%	--	5.00%	5.00%
Total	3.45%	3.50%	6.95%	7.50%	12.00%	19.50%



3. Expenses for 2018 Foreign Travel

- An overseas trip is recognized as an expense for income tax purposes solely on condition that it is an essential expense for the purpose of generating income.

In addition, documents must be furnished attesting to the purpose of the trip and providing details of expenses, such as: invitations to exhibitions, tickets for attendance at conferences, documentation of meetings, restaurants, travel expenses, car hire and so forth that will convince the assessment officer that the expenses are business expenses.

A separate detailed report should be prepared for each trip. We recommend preparing the report shortly after the trip.

- Below is a list of countries which will be deductible 125% of the permitted expenses of accommodation and stay: Australia, Austria, Italy, Iceland, Ireland, Angola, Belgium, Britain, Germany, Dubai, Denmark, Netherlands, Hong Kong, Taiwan, Greece, Japan, Luxembourg, Norway, Spain, Oman, Finland, France, Cutter, Korea, Cameroon, Canada, Sweden and Switzerland.

The form for foreign travel can be found [here](#).

4. Employers of housekeeping workers

Employers of housekeeping workers are required to report full details on the workers once every quarter for the previous quarter. On the National Insurance Institute website, it is possible to report monthly. The types of work recognized as housekeeping include cleaning of homes and yards, babysitting or nursing in the customer's home, cleaning and janitorial services in buildings and apartment buildings, private drivers, guards, etc.



Reports must also be submitted on workers who are foreign residents and their passport number should be entered instead of an identity number. The national insurance should be calculated at the appropriate rate for workers who are foreign residents.

As of January 2014, nursing care patients who employ a caregiver through employment agencies are exempt from paying national insurance for the caregiver, who is a foreign worker (under the conditions defined by the National Insurance Institute, including if the payment to the foreign worker is not done in cash and does not exceed NIS 3,000 a month). It is advisable to ensure that said worker has a work visa valid for work in said household (employment without approval is a criminal offense).

5. Income generated abroad

The income of an Israeli resident generated abroad is examined in terms of national insurance under the National Insurance Law and regulations.

An insured party must report their occupation to the National Insurance Institute so that they can be charged in the first phase with advance payments and after the tax assessment is received, the National Insurance Institute will assess the differences.

As of 2014, the National Insurance Institute can check liability for national insurance payments in respect of foreign income automatically from 2008 forward, according to the assessments received from Income Tax.

In 2017, the National Insurance Institute published a guideline that stipulated: income from LLCs is treated the same as income arising from a dividend of a regular company and, therefore, the provisions of Section 373a do not apply to such income, and national insurance does not have to be paid for them separately.”



6. Eligible Allowance – Retirement According to Amendment 190

Pursuant to Amendment 190, new rules were prescribed for the consequences of withdrawing severance pay by a terminated employee, up to the level of the exempt allowance all of his life.

If you expect to terminate employment in the next few years, you are invited to our offices to examine the consequences for you.