

October 22, 2018

Clients circular 59/2018



End of the exemption period for new immigrants / returning residents

Many new immigrants and returning residents have recently completed their benefits period. These individuals immigrated to Israel in 2007 and thereafter, following the entry into effect of amendment 168, which granted a tax and reporting exemption on foreign income and assets for a period of ten years from the date of the individuals' arrival in Israel.

The termination of the benefit period is a significant event for these individuals, who may be required for the first time to submit tax reports to the Israeli tax authorities. The individuals are required to comply with Israeli reporting requirements and taxation rules, which may be fundamentally different from the requirements they have been accustomed to abroad. For the first time, new immigrants/returning residents may need to report on bank accounts and foreign assets, as well as on foreign companies that at the end of the benefits period, are exposed to being classified as Israeli residents by the tax authorities in Israel, and in accordance with taxation - possibly based on deemed income - in Israel. The various reporting rules may lead to additional tax issues, such as double taxation, non-recognition of losses, failure to grant a foreign tax credit, etc. These and other tax issues require prior preparation before the benefits period expire and therefore it is recommended to prepare for the end of the exemption period in advance.

It should also be noted that many new immigrants / returning residents, who have not submitted reports in Israel, have received a request from the Tax Authority to report on assets and income and from the moment the exemption is completed, it is expected that the reports will be submitted in full and on time. For further details please contact:

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