



Tax Implications of Relocation and Investments in Israeli Companies

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Introduction Types of Equity Transactions

Investment

Service

Employment/Officer



Introduction - Residency Test

Center of life test – substantial test

Contradictable Presumptions based on amount of days spent in Israel during a tax year:

183 days in a tax year

Or

30 days in a tax year + 425 days in the last three tax years

Introduction – Exit Tax

- Section 100A of the ITO



Investment transaction

Capital Gains and dividends

Israeli Residents are required to pay CGT on Domestic or foreign capital gain (Between 25% - 30%)

Foreign residents are generally exempt from tax on capital gains from a sale of security of an Israeli company

Investing in Israeli Companies

Capital Gains and dividends (Cont')

Dividends shall generally be subject to tax (between 25% to 30%).

A lower tax rate may be applicable for non-residents may be available for distributions from certain types of qualifying enterprises.

*US-Israel Tax Treaty - 12.5% withholding if the recipient is a Corporation, and no dividend tax in the US (new rule)

Securities provided to Service Providers/Controlling Shareholders/Foreign Employee [3(i) Options]

- Israeli Resident – Taxable event upon exercise of stock options.
- US Resident – May be exempt from taxes in Israel, depending on criteria stated in the US-Israel Tax Treaty, and provided that the compensation/tax event is while he is a resident of Israel

Tax Resolution 6539/17

Tax Resolution 989/18

Granting Options to Employees on Relocation

Employees Relocating
from Israel

Stock options
received **in Israel**

Employees Relocating
to Israel

Stock options
received **in the US**

Tax Resolution 6539/17

Tax Resolution 989/18

Granting Options to Employees in Relocation

Employees Relocating **from** Israel and SO received **in Israel**

Israel period (from grant to leaving Israel) – fully taxed in Israel+
no foreign tax credit

Remaining period (from leaving Israel to end of vesting period) –
fully taxed in Israel + foreign tax credit (federal tax only)

Tax Resolution 6539/17

Tax Resolution 989/18

Granting Options to Employees in Relocation

Employees Relocating **from** Israel and SO received **in the US while considered a foreign resident**

No Israel tax – as long as **all tax events** are in the US

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Tax Resolution 6539/17

Tax Resolution 989/18

Granting Options to Employees in Relocation

Employees Relocating **to** Israel and SO received **in the US**

Israel would tax the entire profit at a marginal tax rate
Is willing to give a credit for the Non-Israeli portion of the profit

Tax Resolution 6539/17

Tax Resolution 989/18

Granting Options to Employees in Relocation

Employees Relocating to Israel and SO received in Israel
(prior to their relocation)

Israel period – fully taxed in Israel, no foreign tax credit

US period – fully taxed in Israel + foreign tax credit
(federal tax only)

Thank you for listening!
Any questions?