



FACT SHEET - PURCHASING PROPERTY IN ISRAEL

Congratulations. You have finally found your dream home in Israel and you may even have agreed a price. But if you thought that was the end of the process, think again. Unlike in other countries which may have a standard procedure for the buying property, in Israel almost everything is up for negotiation. From the dates and times of the payments, to the length of time until completion and even the exchange rate to be used, all these issues need to be resolved in the purchase agreement. Welcome to the Middle East!

Once you have found a property to purchase and agreed a price with the sellers, a draft contract will be prepared and we will obtain the documents needed to prove the legal status of the property. The property may be registered or unregistered, freehold or leasehold, and the registration may be managed by a government institution, a public organization or a private developer. All this must be clarified. In addition, if there are building irregularities, outstanding liabilities or unpaid taxes on the property, you will not be able to register the property in your name. You need to make sure that you have all the necessary information before you sign the contract.

After the searches have been made, the details agreed and you are satisfied with the conditions of purchase, a binding agreement will be signed. The first payment is made on signing but you should ensure that the sellers do not get the money until your interest in the property has been protected - either by registration of a restriction at the Land Registry or, if the property is not registered (for example if you are buying an apartment "off plan"), with an alternative form of security from the seller - usually in the form of a statutory bank guarantee.

The purchase price is usually paid in installments over several weeks or months against receipt of documents from the seller showing that s/he has complied with his or her obligations under the contract or, if the property is being built, against progress with the construction work. If the seller has a mortgage on the property, this will need to be transferred or paid off against the earlier installments, particularly if you are also taking a mortgage to finance the purchase. If you are taking a mortgage, the various administrative requirements of the bank must be complied with in good time to allow for the funds to be available when needed. This can take around six weeks to organise, so don't leave it to the last minute. We can provide further information and introductions to lenders, should you wish.

To facilitate payments from abroad, our office can open a designated client account for the purchase in which you can deposit money in any of the main currencies. Our office can then supervise the various payments, once we have verified that the seller has fulfilled his/her obligations. The account may also be used to make other payments associated with the purchase and, if you require, to pay the ongoing expenses of the property after you have completed on the purchase, including during any period of renovations.

The final payment should be made only when you take possession of the property and once you receive confirmation that the seller has paid all the government and municipal taxes due on the property, that there are no outstanding debts on the property and on receipt of all the other documents required to transfer the registration of the property into your name. On the date of this final payment, either you or someone on your behalf (our office, if you wish) will need to carry out a final inspection of the property, read the meters and then deal with the transfer of the various utilities into your name.

Tax:

Acquisition Tax is payable on the purchase of property in Israel. This is a graded tax and is assessed on the amount of the purchase price in shekels on the date of purchase. The buyer must file a self-assessment with the tax authorities and pay the tax within 30 days of signing the purchase contract. The amount of tax will vary depending on various factors, including whether you are an Israeli resident and if this is your first purchase in Israel or you already own another property. There are also various exemptions and reductions which can be applied for (for example, by new immigrants or by those with a disability) which should be considered.

In addition it should be borne in mind that funds will need to be available for other costs including agents' fees, registration costs and rates, utilities and management fees on the property. Once you have taken possession of the property, you will be responsible for paying all ongoing bills and, if it is a condominium, management fees on the property.

The final stage of the transaction is to register the property in your name, which can take anything from a few days to a few months, depending on the type of registration involved. If the property is unregistered (for example, if not yet built) your interest will be recorded with whomever manages the registration and there will be a further process of registration at the Land Registry at some point in the future, but this may take months or even years.

Further information and documents required

1. Your full name, address and contact details (including e-mail)
2. Your Israeli I.D. number or, for a foreign national: your passport number and a certified copy of the personal information page of your passport
3. Details of any mortgage you intend to take out
4. Details of the property, the price, the seller and any other details agreed with the seller.
5. Other issues to consider:
 - If you are not resident here, will you be in Israel for any part of the process e.g. exchange, payments or to take possession of the property?
 - Would you prefer to pay the purchase price in sterling/dollars rather than shekels if possible?
 - How will you be making the purchase price payments (bank transfer directly from abroad, through our offices, or through an Israeli bank account)?
 - Have you made adequate provision to cover for the exchange rate fluctuations which will occur during the payment period and which may affect the value of your purchase funds if these are held in foreign currency ?
 - Will you require English translations of the transaction documents? (It is usually the Hebrew version which is binding).
 - Will you be carrying out a structural survey of the property and if so, will this be arranged through our offices?
 - Will you or someone on your behalf deal with completion and with the transfer of the utilities into your names (electricity, gas, phone) or do you wish to do that through our offices?

This fact sheet is presented as a general information service to our clients and does not constitute legal advice. The process of purchasing property in Israel is a complex one and you should obtain specific legal advice before taking (or deciding not to take) any action. Please contact us for further information.