

Quote of The Day

“If people like you, they’ll listen to you, but if they trust you, they’ll do business with you.”

~ Zig Ziglar

“The four most expensive words in the English language are ‘this time it’s different’.”

~ Sir John Templeton

The Tax Season is Now!



2017 Personal income tax return checklist

With the Income Tax season well underway, [Click Here](#) for the firm’s Income Tax checklist for 2017, which we request you follow closely and submit the relevant documents and information to us **without delay**.

ITA Voluntary Disclosure Procedure

Anonymous applications may be made until December 31, 2018. As the application preparation is a lengthy process, time is running out. However regular applications may be submitted by December 31, 2019.

Wishing you happy summer holidays... and drink lots of water!



TAX PLANNING HIGHLIGHTS

- “Light refreshments” provided at the place of employment are deductible up to 80% of such expenditure. These are defined as soft or hot drinks, biscuits and such like. The ITA recently announced that following requests from the Ministry of Health, it will consider fruit and vegetables as light refreshments too.
- US charitable contributions may entitle taxpayers to a tax credit in Israel, similar in some respects to Israeli contributions; this is in accordance with the tax treaty between the two countries. However, the ITA holds that this is applicable only to US-sourced income. Thus care should be exercised before planning strategy for contributions.
- Most double tax treaties stipulate that the “first bite” (viz. preference) on capital gains tax is accorded to the taxpayer’s country of residence, irrespective of the geographical location of the asset or investment, but excluding real estate. It is strongly recommended that this be closely examined each year in order to avoid the risk of double taxation.
- Investments held by Israeli residents in the US or UK may well be subject to Estate Tax on death. As taxes may be substantial, proper foreign professional counsel should be taken in order to reduce or avoid such Estate Tax burden.

Tax News and Views

- ❖ The tax benefit of a “company” car is not necessarily attractive; the tax implications should be closely reviewed.
- ❖ Trusts have limited tax advantages in recent times, but there are also non-tax factors to consider.
- ❖ Property Taxes have undergone changes; monitor closely and consult with Property Tax experts when planning purchase and sale of real estate.

YEAR - END TAX TIPS
Some Tax-Reducing Thoughts -For
2018



- ❖ Capital gains may be reduced by realized capital losses; assets\investments that reflect paper losses, and are unlikely to rise in value in the very near future, may be suitable candidates for review.
- ❖ Capital losses on securities arising in 2018 may be offset against income from dividends and interest on securities received in 2018. This includes dividends from private companies. Do examine this closely.
- ❖ Recognition for charitable contributions requires Section 46 approval, and must be made (and receipted) before December 31.
- ❖ Give close attention to expenses that may be deductible – business and investment (incurred January - December 2018).
- ❖ Residential rental income – on cash basis (reportable).

THE 10-YEAR TAX HOLIDAY – A COURT RULING

Now, for the first time, we have a court ruling for new and returning residents – the Talmi case.

- Fiscal residence is a gradual process, the number of days spent in Israel is not the only factor in determining residence, and other factors may also impact.
- The “days” formula for calculating tax payable on foreign salaries or earned income may be challenged if unreasonable or where other relevant factors may impact (e.g. geographical, etc.).
- The judge indicated that the “10-year” rule is intended to facilitate the immigration of new and returning residents; this should be born in mind in defining foreign assets, thus introducing more flexibility in exempting various types of income during the exemption period.

Tax Problems With Selling Goodwill

Court rulings relating to the sale of personal goodwill, merit close attention

- An actual asset must pass hands (e.g. list of clients)
- Non-competition clause should be stipulated.
- In certain businesses/professions, the source of the goodwill is the businessman or professional himself, and is essentially inseparable...., thus rendering the goodwill not transferable.
- In order for goodwill to be considered “sold”, there must be evidence that the economic risks and potential relating to the goodwill have been transferred.
- Professional guidance should be sought in these matters.