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Quote of The Day

"The fewer the data needed, the better the information. And an overload of information, that is anything much beyond what is truly needed, leads to information blackout. It does not enrich, but impoverishes."

(Peter F. Drucker)

Forget-Me-Nots for 2014

- Annual payroll reports (Form 0126) by April 30th.
- Annual withholding tax reports (Forms 856, 857, etc.) on payments to subcontractors, suppliers of services, rental of premises, interest, etc. – by April 30th.
- 10% tax 'route' on residential income for 2013 to be reported and paid by January 30, 2014.
- Annual Company and Registered Partnership License renewal fees – payable by the end of February; non-receipt of renewal vouchers does not exempt you from timely payment. Payment may also be expedited on the Internet.
- Interest and linkage on tax debts – not charged (on 2013 debts) if paid by 31.01; end of February, 50% reduction; end of March, 25%.
- New withholding tax certificates and interim tax payments dealt with by March.
- Annual Vat reports by exempt dealers must be submitted by January 31st.

Management and Control Revisited – Is the Company Subject to Tax in Israel?

Israeli taxes are levied on Israel-resident companies, including foreign companies deemed resident in Israel. This includes a foreign company or similar legal entity where the management **and** control are exercised in Israel.

In a recent case in the Tel-Aviv Regional Court, the Judge provided some illuminating clarifications which merit close attention:

- Where the business policy and strategic decisions of the company are determined effectively in Israel and the material decisions relating to the day-to-day management are also made here, then the management **and** control will be considered exercised in Israel.
- The existence of a permanent and continuous management infrastructure outside of Israel, both as relating to day-to-day management, and also determining policy, may lead to the conclusion that management is exercised outside Israel, even where some of the directors are resident in Israel.
- It may be that where an Israeli-resident director travels overseas for meetings of the board of directors – meetings of substance and held regularly and close to the foreign-management infrastructure – and the meetings are not merely a "cover" for management activity exercised in Israel, then this too may be deemed management exercised outside of Israel.

These are complex, but very significant, principles, and relevant to structuring and tax planning.

Zero Vat on Services to Foreign Residents

Section 30(a)(5) of the Vat Law provides that income from a service provided to a non-resident in Israel is subject to zero Vat. However, if the service relates to an asset located in Israel or is, in effect, given to a local resident, then this provision will not apply.

The Law excludes income from the provision of service to a foreign resident where the subject of the agreement includes the provision of the service "also to a resident of Israel". This requires close study, particularly to establish whether the service was actually provided to a local resident. There is only a need to establish that an Israeli resident receives, or benefits from, the service, and not who is the main or material recipient or beneficiary of the service.

This certainly impacts on many suppliers of services and, particularly, brokerage services between Israeli and foreign residents. Careful thought should be given to the structuring of service agreements.

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Use our Value-Added Services

- Quarterly reviews and analysis;
- Tax planning and consulting;
- Business planning and advice;
- Personal and family financial planning and budgeting;
- Assisting with start-ups;
- Business management and development;
- Trust and Estate planning;
- New immigrants and returning residents.

Tax News and Views

- The tax benefit of a “company” car is no longer 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 major changes; monitor closely and consult with Property Tax experts when planning purchase and sale of residential real estate.

Healthy Bodies and Healthy Minds

Ah, those old, wise clichés! Now, since when is the client’s state of health a matter to be reviewed with accountants? Well, we never did regard ourselves as just another firm of CPA’s! Furthermore, there just seem to be too many clients who may take good care of their businesses or practices, but not of themselves. So, here we are to encourage exercise, relaxation (and vacations), correct eating habits, and lots of common sense. This is meant seriously!

Husband and Wife Teams – A New Tax Era (From Jan. 2014)

Where a couple have a joint source of income, they may request to be taxed separately, but subject to the following conditions:

- The personal efforts of both are required to produce income from the joint source of income.
- Each spouse earns income appropriate and in direct proportion to his/her individual contribution in producing the income – from the joint source.
- If the joint income is produced at the home of the couple, then the home serves permanently as the premises where such source of income and the majority of the activity is done in the “office”.

Where relevant, this may reduce the joint tax burden substantially.

Is Your Website Asleep? (By Sean D’Souze, Psycho Tactics) Need to Create a Website That’s Dynamite?

Websites are a waste of money and time. Well, most of them are. Most people go online for one reason – Get Information. Yet, what do you see at most websites? Portfolio!

See the problem? If you stop and think, this is not a website problem. It’s a communication problem, which is why most advertising fails. The customer wants information about the company. It’s all about me, me, me. This primary reason causes more than 90% of all websites to be inefficient, useless and a waste of time.

It is also the prime reason why not many people make money off their website. If you start talking about YOU, no one is interested. To give out credible, useful information is the prime function of every communication piece. If almost everything on your website doesn’t answer the question **What’s in it for me?**, it’s definitely not worth the time of the customer.

Tax Problems With Selling Goodwill

A very recent ruling in the Tel-Aviv Regional Court, relating to the sale of personal goodwill, merits close tax planning 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.