

43A Emek Refaim St. POB 8240, Jerusalem 91081

Tel: 02-5611323 Fax: 02-5669555

Quote of The Day

“The only place success comes before work is in the dictionary.”

Vince Lombardi Quotes

Review of Business Structure.

Clients should periodically review their choice of business entity, namely sole proprietorship, limited or unlimited partnership, regular or family/transparent company. Factors to consider include changes in tax or other laws, and business changes (such as new products or services, changes in ownership or location). Choice of entity must recognise that a structure that has served well in the past may no longer do so, as a result of change.

Too Busy to Change?

Stop what you're doing for a minute and think – really stop!

Are you doing whatever it is because it's always been done that way, because it's policy, because it keeps you busy . . .? Now, more than ever before, the time has come to question **what** we do, **why** we do it, and also **how** we do it.

Special Income Tax Declarations (Forms)

The ITA has distributed forms to over 90,000 taxpayers, requesting details of certain assets and of foreign and local income. These forms should be properly and accurately completed, including certain documents requested, and returned to the ITA.

It would appear that the forms have been distributed to persons not registered with the ITA, including some who may be exempt.

Our “Team” is available to assist.

Trust Tax Update

- The Israel Tax Authority has finally published formal notification postponing the June 30th 2014 registration deadline for family trusts.
- The date for submission of notification of family trusts (see our earlier updates) is the earlier of December 31, 2014 or the date of signing of agreement or settlement with the ITA.
- Notification is by Forms 154 and 147.
- The date for election of the tax route (distributions – 30% or trust income – 25%) is the earlier of the date of submitting the annual trust tax return (April 30, 2015 or later) or date of signing agreement/arrangement with the ITA. This will require additional submission of Form 154.
- New ITA directives on trusts are apparently in the pipeline.

We will continue to monitor and update.

Corporate Tax Residence – Management and Control or Effective Management?

It is timely to revisit this topic in the light of a recent ruling by Judge M. Altuvia in the Tel Aviv Regional Court (Yanko Weiss Holdings 1996 Ltd.). The Judge ruled that “where business policy and strategic decisions of the company are actually made in Israel, and material decisions pertaining to the day-to-day business management of the company are also made here, then it may be asserted that management and control is exercised in Israel.

Such a company will be treated as resident in Israel for Income Tax purposes. It is interesting to note that the Judge held that where the Israeli resident director/s participate in meetings of directors outside Israel – and such meetings are of substance – and are held close to, and as part of, the management and framework overseas, and not merely for “external appearance” even if certain management activities are done in Israel, the management may be regarded as being outside Israel. Complicated – yes; but interesting too.

**There's No Time Like
The Present!**

So we invite you to come in for a coffee/tea/water and a chat . . . to discuss and review business and finance matters, tax planning for 2014 and beyond, and any other matters pertinent to you and with which we can assist.

Tax Planning Tips

- Preparation of accurate estimates for Income Tax and Bituach Leumi interim payments (mikdamot). Do not overpay.
- Optimal deduction of expenses.
- Utilisation of tax credits / deductions for charitable contributions, payments to certain funds and/or life insurances, and various other investments.
- Claiming all business or business-related expenses.
- Structuring – Entity: Corporate? Self-Employed? Partnership? Foreign? Branch? etc.
- Ensure you have tax withholding certificates (ishurim) for 2014.
- Use capital losses – plan now!
- Rethinking your business, investments and tax planning!

**Significant Ruling on “Residence” by Supreme Court
(The “Sapir” Case)**

- Residence of close family members may not be decisive in determining tax residence of taxpayer. The “Centre of Life” rule is considered material.
- “Centre of Life” includes location of home, place of work/employment, where active economic interests are located and, similarly, social connections/activities..
- The quantitative test – 183 days or more in the year, or 30 days in a particular year and accumulated days of 425, including the two previous years . . . but these may be contested . . . and in this case, successfully.
- In this case, the Court held that “it is incumbent on the ITA to do a material review of the interests and connections of the taxpayer, and cannot rely solely on the residential location of his family members”.
- The test of “Centre of vital interests” is very material.
- There may be implications for taxpayers who spent a major part of the year abroad while their family resided in Israel.

How Good Is Your Bank?

There is no doubt that banking is an important facet of any business. But just how seriously do you treat your relationship with your bankers? Do you check and compare rates and charges? Do you insist on good service and relations? Does your bank enable you to operate properly? These are very relevant questions, and we can but emphasise that continuous review of bank matters is an integral, but often ignored, part of running a business or practice, or merely personal finances. It may be a good idea to set up a meeting with your bankers without delay.

***“Chazak v’Ematz” to Am Yisrael,
the Security Forces, clients and
associates during these times, and
special wishes for a period of
peace and tranquility!***

