



רחל לבקוביץ | רו"ח

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New Israeli Amnesty Program

Purpose:

The Israel Tax Authority announced on December 12, 2017, a new Israeli amnesty program effective from that date. After a huge success of the previous Israeli amnesty program, the Tax Authority would like to grant a new opportunity to all individuals to enter into this program and become compliant with their filing requirements with all relevant tax government offices (e.g. VAT, Real Estate). The amnesty program is giving full immunity against any criminal prosecution as long as the request submitted is based on honest and accurate facts.

General Background of Tax Filing for Israeli Residents:

Since 2003, Israeli residents' worldwide income has been taxable. Please note that foreign capital gains have always been taxable in Israel prior to 2003. Therefore, any new immigrant or Israeli resident that falls under this category and has not been filing any Israeli return and reporting worldwide income, whether owned personally or received by gifts or by inheritance, should enter into the Israeli amnesty program as soon as possible. Special rules apply to gifted or inherited assets.

Who Needs an Amnesty?

Any person, company, or trust, with unreported income, needs to apply for the amnesty program and settle his tax status with the Israeli Tax Authority for the relevant years of unreported income. With the implementation of FACTA (Foreign Account Act Tax Compliance), each government agency will be able to obtain information about specific citizens from any other foreign country, to make sure that the income is properly reported. The Israeli financial institutions have already started to have their account owners sign special forms to make sure that the accounts and its income are reported in the relevant countries.

Filing Procedures:

The ITA is offering three alternatives Israeli tax amnesty tracks:

1. Regular Track
2. Anonymous Track
3. Green Track

Regular Track:

- The request is submitted to the Investigations Department of the Israeli Tax Authority.
- The request should be honest and include full disclosure of the noncompliance facts, with a clear explanation of the funds' source with full supporting documents.

- The taxpayer or its representative should include the total tax due for the relevant tax years of noncompliance, and attach the relevant amnesty tax forms published by the Israeli Tax Authority.
- The request should be submitted by the taxpayer or its representative to giluymerazon@taxes.gov.il
- If the Investigations Department has decided to approve the request based on the facts presented and if the Tax Authority did not have any prior information about the individual through any government offices, including the police department, the taxpayer or its representative will be informed and receive an official letter approving the request, giving full immunity against any criminal prosecution and requesting to pay the taxes with the relevant tax offices. The amount of taxes due includes also interest and indexation, and any penalties on the value of the funds when relevant according to the final decision of the income tax assessor.
- This track is valid until December 31, 2019.

Anonymous Request:

- The request should include the above information as per the regular request.
- Specific forms related to such request need to be attached, as published by the ITA.
- The name is only disclosed at the end of the process of the amnesty if all went well. The process should take no longer than 180 days.
- This track is valid until December 31, 2018.

Green track:

- The track applies when the total overseas unreported assets is up to 2,000,000 NIS and unreported taxable income is up to 500,000 NIS.
- Tax returns and all amended returns need to be filed and submitted.
- The taxes will need to be paid within 15 days from the tax assessment.
- Specific forms related to such request need to be attached.
- This track is valid until December 31, 2019.

Offsetting Losses and Deductions:

- Losses or deductions or credits will be allowed only against earned income or capital gains, whichever is relevant, on the unreported income included in the Israel and only during the amnesty relevant tax years. The rules for the losses, credits, or deductions, will follow sections 28, 29, 92, and the sections related to foreign tax credit of the Income Tax Ordinance.
- Any unused credits, deductions, or losses, will not be allowed for carryover in the future years after the amnesty period.

For any questions regarding the Israeli amnesty program, please be in touch with Rivka Bitton at 02-993-7614 or rivka@ardcpa.com

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