

Doing Business in Israel

2009



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1. Introduction

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 70 countries throughout the world. Business partners work together through the network to conduct trans-national operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Israel has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at August 2009.

We look forward to helping you do business in Israel.

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2. Business environment

Geography

Israel is located on the eastern shores of the Mediterranean Sea, joining Asia to Africa. Its western border is the Mediterranean, to the north are Lebanon and Syria, to the east is the Kingdom of Jordan, and to the south are Egypt and the Red Sea. Israel's borders enclose a total area of approximately 22,000 sq km (8,500 square miles), including the Golan Heights (1,200 sq km), but excluding Gaza, Jericho and the West Bank Administered Territories, which include areas administered by the Palestinian Authority.

Jerusalem (population 600,000) is the capital of Israel and the historical capital of three of the world's major religions, Judaism, Christianity and Islam. Tel Aviv is the business centre and hub of Israel (Greater Tel Aviv area: population 1.9 million); and Haifa (population 470,000) and Ashdod are the two of the major port cities of Israel. Eilat is a tourist resort city and port city located on the Gulf of Aqaba in the Red Sea.

Despite its small size, Israel contains almost every type of geographical terrain from desert in the Arava and Negev; to hilly, mountainous landscapes in the north (Galilee); to snow-capped mountains in Mount Hermon. It contains an abundance of agricultural land. Extensive irrigation has made various parts of the desert productive. The Jordan River flows southward through Lake Kinneret (Sea of Galilee) into the Dead Sea. Lake Kinneret is an important source of water and fish, in addition to being an attractive tourist and recreation area. The Dead Sea, which is 425 m (1,300 ft) below sea level, is the lowest point on earth and a major source of minerals, including potash, bromide and magnesium. Its waters are renowned for their healing qualities.

History and government

The modern State of Israel was established in 1948. In its 60 years since establishment, Jewish immigrants from all over the world have settled in Israel. Israel's population has increased from 870,000 people in 1948 to about 7 million today. This figure comprises approximately 80% Jews with the remaining 20% comprising Muslims, Druze, Christians and others.

Since 1948, the state has fought wars with its Arab neighbours. Since 1979, Israel has signed peace treaties with Egypt and Jordan. Israel has also signed several interim agreements with the Palestinian National Authority, creating an autonomous territory for the Palestinians in return for peace. The parties are currently negotiating a final status agreement. In

February 2009, Benjamin Netanyahu, leader of the Likud Party, succeeded Ehud Olmert as Prime Minister. Mr Netanyahu leads a large, party coalition government.

Israel is a parliamentary democracy consisting of separate legislative, executive and judicial branches. All citizens of Israel, regardless of race, religion or sex, are guaranteed equality before the law and full democratic rights. Freedoms of speech, assembly, press and political affiliation are embodied in the country's laws and traditions and in the Declaration of Independence.

The legislature, known as the Knesset, consists of a single elected chamber with 120 members. It is elected every four years and comprises representatives of various political parties. Israel uses a system of proportional representation. Elections are universal, countrywide and secret.

The Prime Minister, heads the executive branch of the government. Upon invitation of the President, the Prime Minister forms a cabinet, which usually introduces new legislation to the Knesset.

The judiciary is independent of the legislature and executive branches. The Supreme Court, sitting in Jerusalem, is the highest judicial body and functions both as the court of appeal for decisions of the district courts, and the High Court of Justice for cases not within the jurisdiction of any other court. The District Court is the first court for certain judicial issues as well as the Court of Appeals for cases presented before the Magistrate's Courts and other courts. All types of courts have clearly defined jurisdictions.

The President, the official head of state, has limited formal powers and is elected by the Knesset for a five-year term, with a limit of two consecutive terms.

The State Comptroller is elected by the Knesset and acts as ombudsman, reporting publicly to the Knesset on the operation of the government and public sectors.

The Bank of Israel (the central bank of Israel) serves as the economic advisor to the government. It also outlines and carries out the monetary policy of Israel, controls local banks, supplies notes and coins, and manages the State's foreign currency.

Units of measurement

Currency

Israel's unit of currency is the New Israeli Shekel (NIS), which comprises 100 Agorot. (For the NIS exchange rate in relation to foreign currency, see Foreign Exchange Controls, section 7).

International time

Israel is two hours ahead of Greenwich Mean Time in the winter and three hours ahead during Israeli summer time.

Weights and measures

Israel uses the metric system in all weights and measures except for land which is measured in dunams. A dunam equals 1,000 sq m (approximately 0.23 acres). Industry also conforms to other international measurements as required.

Working conditions

Working in Israel

Overseas visitors in Israel do not normally need to apply in advance for a visa. An ordinary tourist visa (B-2), valid for 90 days, is completed on entry to the country. It may be extended for longer by application to the Interior Ministry.

For a foreign national to work in Israel, a permit must be obtained from the Ministry of Labour to enable the Interior Ministry to issue the necessary permit.

Under the 'Law of Return', immigrants are entitled to permanent resident status, or to an A-1 visa, which entitles the immigrant to temporary resident status.

Business hours

Most businesses other than retail stores operate a five-day week, closing on Fridays and Saturdays, with Sunday a normal working day. Usual business hours for commerce and industry are 8am-9am to 4pm-5pm, Sunday to Thursday, and from 8am to 1pm if open on Friday.

Banks are open daily from 8.30am until 12.30pm. Two to three times a week banks reopen in the afternoons.

On Saturdays (the Jewish Sabbath) almost all businesses and offices are closed. Statutory holidays are in accordance with the Hebrew calendar. On

the eve of the holidays, businesses usually cease doing business in the early afternoon.

3. Foreign investment

General

A positive and open attitude prevails towards foreign investment in Israel. Government policy is aimed at providing investment incentives to industries that increase the country's exports and create jobs. There are limited restrictions on sectors in which a foreign investor may invest, other than where there are defence considerations.

Prior approval for an investment is generally not required except for investment in regulated bodies such as banks and insurance companies.

Israel is also committed to the principles of free trade, shown by the large number of free trade agreements to which it is party.

Israeli business associations actively seek overseas partners for investing in Israeli companies. In the light of the relatively small domestic market in Israel, export opportunities and international business connections are very important to Israeli businesses. They are generally supportive of government policy regarding incentives and often view foreign investors as a further opportunity to expand business and improve standards, rather than as a competitive threat.

To reach its goals, Israel offers substantial benefits, incentives and concessions through various laws and regulations more fully discussed below. They are available to both foreign and Israeli investors. The main exceptions are that, in certain cases, larger tax reductions are available to foreign-owned enterprises compared with Israeli-owned enterprises; and income from foreign currency deposits of foreign investors held in Israeli banks is tax exempt.

The government's major tools for foreign investment are the Encouragement of Capital Investment Law and the R&D Industrial Encouragement Law, through which grants of 20% - 66% of the project's total expenditure are available.

Encouragement of Capital Investment Law

Under the Encouragement of Capital Investment Law the status of 'approved enterprise' is granted to investments made by domestic and foreign companies, as well as registered partners, when certain qualifications are met.

In addition to 'Approved Enterprise' status, there are four classifications for approvals:

- 'Approved Property' – for investments in real estate by foreign residents, investing foreign currency
- 'Approved Investment' – for investment in equity of limited liability corporations
- 'Approved Loan' – for loans given for a period exceeding seven years
- 'International Trading Company' – for foreign companies trading mainly abroad.

The request to obtain 'Approved Enterprise' status must be made to the governmental authority before starting any business activities.

Approved enterprises

Investment incentives are given through the granting of approved enterprise status to industrial and tourism enterprises approved by the Israel Investment Center in Jerusalem (which administers the Encouragement of Capital Investment Law). Different levels of benefits are provided in 'A' and 'B' national priority zones and other zones.

To qualify, generally, the enterprise must be owned by a company registered in Israel (including a company registered in Israel as a foreign company), or a partnership, or a co-operative society registered in Israel, unless the board of the Investment Center agrees to a different form of ownership.

At present, the Investment Center approves the establishment or expansion of enterprises on condition that they engage in high-quality production, innovative hi-tech technologies, sophisticated products, tourism, etc. Only enterprises meeting the Investment Center's criteria may be approved.

Incentives for approved enterprises

Approved enterprises are entitled to a variety of incentives. Investors may choose from several combinations to suit their interest. The incentives include:

- Grants of up to 32% of the tangible fixed assets
- Reduced tax rates, tax exemptions, and other tax-related benefits
- 'Bid Free', at reduced price, land allocation in National Priority Regions 'A' and 'B'. (Region 'A' being Negev, Galilee and the Jordan Valley; 'B' being the Haifa region).

To qualify for any of the above incentives, the approved enterprise must show a minimum of paid-in capital - in most cases, 30% of the investment.

Investment grants. An approved enterprise can receive an investment grant as a percentage of its investment in fixed assets (new machinery and equipment, buildings, vocational training facilities, day care centres, site development, planning and installation, commercial vehicles, and land costs).

Investment grants are not taxable but are deducted from the value of fixed assets for depreciation and capital gains tax purposes.

The profits from an approved enterprise taking such grants are liable for a 25% company tax for a period of seven years. Companies that own approved enterprises and in which the level of foreign investment is more than 25% have been granted company tax concessions for a period of 10 years. (Applications for those benefits had to be made before 31 December 2001.)

Alternative benefits for approved enterprises

Alternatively, companies may waive the right to receive the investment grant and instead opt for a tax holiday (total exemption from tax) for differing periods based on location in the national priority region ('A', 'B' or other).

Another alternative was added in an amendment to the law in April 2005 - that companies in region 'A' may pay company tax but at a reduced rate. Compared to the first alternative (see table below), companies that distribute dividends ought to prefer the second alternative. The amendment offered to extensive investments total exemption of corporate tax and tax on distributed dividends, with the condition that a minimum 600 million NIS should be invested in the far periphery, or at least 900 million NIS in region 'A'.

Entitlement to the alternatives' benefits is automatic when two fundamental conditions are executed:

- The enterprise exports at least 25% of its sales;
- The enterprise invests a minimum investment for three years before the first year it opts for the benefits. The minimum investment is 300,000 NIS, or 12% of the productive assets that are diminished and amended to the Consumer Price Index (CPI). There is an exemption for vehicles and buildings.

Total exemption Reduced company

	from tax	tax rate
Israeli resident		
Taxation burden before dividends distribution	0	11.5%
Dividends distribution:		
Corporate tax	25%	-
Tax on distributed dividends	15%	15%
Total tax burden	36.25%	24.77%
Foreign resident		
Corporate tax	0	11.5%
Dividends distribution:		
Foreign control (%):		
49%-74%	20%	-
75%-90%	15%	-
91%-100%	10%	-
Tax on distributed dividends	15%	4%
Total tax burden (according to the investment)	23.5%,28%,32%	15%

National Priority Regions

As stated above, the extent of government assistance depends, among other factors, on the location of the manufacturing facilities. The government decides, occasionally and as circumstances dictate, on the definition of the various National Priority Regions. At present, Israel is divided into three regions, and each has its set of benefits.

The National Priority Regions applicable to approved industrial ventures are:

- *Region A* for undeveloped areas far from the centre of the country
- *Region B* for less-developed areas, closer to the centre of the country and characterised by major unemployment problems
- *Region C* for the centre of the country where the major cities and industrial areas are located.

Types of approved programmes

Approved Enterprises

Include Industrial Approved Enterprises, tourism projects, equipment leasing firms, leasing of industrial buildings and other miscellaneous projects.

Investment in industrial or commercial real estate

When a foreign investor invests in a commercial or industrial building, he is fully paid in foreign currency, and the building must be rented. Income is eligible for tax benefits up to a ceiling of 12% of the investment per year. The foreign investor must own the property for five years or more.

Residential building

A residential building may be entitled to an 'Approved' status where at least 50% of the space is rented for at least five of the first seven years; the Ministry of Housing recommends the project; the construction is completed after 31 July 1988; and not more than 50% of the space is sold before the rental period of five years is over.

Approved investment

An investment in an Israeli firm made by a foreign entity, using foreign currency, may be eligible for this status. It does not provide any tax benefits beyond those pertaining to other foreign investments.

Approved loan

A foreign entity may give a loan in foreign currency to a domestic company. This loan may be granted an 'Approved Loan' status. However, this status does not provide any tax or other benefits beyond those pertaining to other foreign loans.

International trading companies

The Finance Minister may grant a tax exemption for up to 10 years to international trading companies and their stockholders. Some benefits are for up to 20 years. To meet the requirements, the international trading company must contain only foreign resident stockholders, the annual turnover must exceed 25 million USD, the company must be registered in Israel as a foreign company, business in and with Israel is immaterial, and the company must own and operate branches in at least three countries.

R&D Industrial Encouragement Law

R&D Industrial Encouragement Law established a research committee that is entitled to approve a participation grant of 20%, 30%, 40% or 50% of total R&D expenses. In March 2005 the law was amended so Israeli companies could share the knowledge that has been supported by Israel's chief scientist abroad. Before the amendment it was forbidden.

Hi-tech industry

Many international corporations, such as Microsoft, IBM, Intel, Motorola and other companies have invested over the past several years in high-tech in Israel by either purchasing Israeli companies or by establishing their own subsidiaries in Israel. Several Israeli high-tech start-up companies drew the attention of the world market and investors because of their remarkable worldwide success in both technical and financial arenas.

Because of increasing interest among investors in high-tech, involvement of venture capital funds has significantly increased. The success of Israeli high-tech companies and the availability of venture capital funds have motivated young Israeli entrepreneurs to open their own high-tech companies.

Venture capital fund managers support the company in which they invest by providing information, advice and 'opening doors' throughout the world to promote the business of the invested company.

Research and development

Israel has an ever-expanding growth in start-up companies in the high-tech and software/internet fields and several R&D programmes provide incentives:

Government grants

The Government provides cash grants, usually up to 66% of approved R&D expenses. Approval of R&D programmes and actual expenses is the responsibility of the Chief Scientist Office at the Ministry of Industry and Trade.

International co-operation

Including:

US-Israel Science and Technology Commission

The aim is to fund long-term projects with substantial technological impact and to overcome such as Food and Drug Administration (FDA) regulations and restrictions.

Projects include:

BIRD-F

The Israel-US Bi-national Industrial Research and Development Foundation (BIRD-F) which assists R&D programmes of non-defence products and processes, which are jointly executed by Israeli and US companies. BIRD-F finances 50% of the R&D project up to 2.5 million USD

for full-scale projects. When successful, the company must repay the grant through annual royalties up to a maximum repayment of 150% of the original grant.

Eureka

An agreement signed in 1993 with the European Eureka secretariat allows Israeli companies to join the prestigious programme for industrial co-operation on R&D topics which includes another 26 Eureka-member countries. Eureka operates more than 680 projects and has a working annual budget of EURO 1.4 billion.

CIIRDF

The Canada-Israel Industry and Research Development Foundation was founded at the end of 1994 and is similar to BIRD-F. CIIRDF funds 50% of the joint projects of Canadian and Israeli companies.

SIIRD

The Joint Israel-Singapore Fund began operating in 1997 with the aim of funding bi-national R&D projects and is similar in concept to BIRD-F and CIIRDF.

The Seventh Framework Programme of the European Union's Commission on Science and Technology

Projects include:

ECIP

The European Community seeks to support sustainable economic growth of the developing countries in the Asian, Latin American and Mediterranean regions, primarily in creating joint ventures.

Other agreements

Framework agreements also exist with other countries, including Holland, France, Spain, Portugal, Belgium, Austria, India and the GICT bilateral fund with Germany.

4. Setting up a Business

Types of business entity

Foreign investors who intend to conduct commercial activities in Israel may choose from a wide range of legal entities. The choice will depend on business priorities. These legal entities comprise inter alia companies, partnerships, co-operatives, joint ventures and non-profit organisations.

Individuals may conduct their business without forming any separate legal entity. There are very few restrictions on the foreign ownership of shares and securities of Israeli companies, or on foreign involvement in unincorporated enterprises, other than for specific professions such as law and accountancy where local qualifications are required.

Companies

The most common form of business entity in Israel is a limited company with capital stock (share capital). All companies are formed and regulated under the Companies Law and the Companies Ordinance.

While there are companies with unlimited liability or limited by guarantee, the most common form of business enterprise in Israel is a company with liability limited by shares. There are two types of limited company which are described in greater detail below.

Private companies

A private company is prohibited from offering its shares to the public and has restricted rights of transfer of shares. Currently, a minimum of one and a maximum of 50 shareholders are required.

A private company must keep proper accounting records using a double-entry system. A balance sheet and income statement audited by an independent accountant must be submitted to shareholders once a year. Companies must also issue an annual financial statement, generally issued by December 31, to coincide with the end of the tax year. While not required, certain private companies also present their financial statements in accordance with securities regulations that apply to public companies including adopting the International Financial Reporting Standards (IFRS).

Public companies

A public company must have at least seven stockholders, with no maximum limitations. The transfer of a public company's stocks is not restricted. If a public company's stocks are traded on the Tel-Aviv Stock

Exchange (the TASE), the company is required to publish annual financial statements and quarterly unaudited (but reviewed by a CPA) financial statements. The format and disclosures of a public company's financial statements are governed by the Securities Regulations. Public companies are required to make their financial year the same as the tax year.

Starting 2008 listed companies are required to adopt the International Financial Reporting Standards (IFRS).

Listed public companies must appoint at least two directors who have no business or other relationships with the company; an audit committee (comprising at least three directors); and an internal auditor. Any offer to the public must be through a public prospectus. A public company must also make an immediate announcement of any major event.

Starting 2009, new security regulations "The Goshen Committee" were published. These regulations relate to listed companies corporate governance, internal control, external auditors and enhances financial disclosure.

Company formation

For a company to be considered incorporated, it must be registered with the Companies Registrar at the Ministry of Justice. Apart from other requirements, an incorporated company should have Articles of Association. The Articles of Association state the company's name, objectives, the composition of its capital stock, the number of shares founders received for the purchase and the stockholders' liabilities. The Companies Registrar (as a concession to the foreign investor) usually accepts the English language, although Hebrew documentation is the norm.

The Articles of Association define the rules for the company's management and the relationship between the company and its stockholders and directors. It will cover details of share capital and allocation and transfer of shares; procedures for directors' and shareholders' meetings; procedures for the appointment of directors and their powers; procedures for appointing auditors' liens in the companies' assets liquidation and the distribution of dividends. A private company will include limitations on transferability of its shares in its articles.

Foreign companies

Foreign companies doing business in Israel must register with the Registrar of Companies and provide a Memorandum and Articles of Association, list of directors and other required information. All documents can be in Hebrew or English.

Foreign companies wishing to issue securities on the TASE must publish a prospectus and present financial reports. The financial reports should be

published in both Hebrew and English and prepared in Israeli currency according to accounting principles generally accepted in Israel. Companies incorporated in the US are permitted to prepare their financial statements in US dollars, in accordance with accounting principles generally accepted in the US. In certain cases already traded companies in foreign stock exchange (like NASDAQ) can register in the TASE and are required to publish only the material the company publish in the foreign stock exchange.

Capital structure

Capital structures may consist of more than one class of share. The most common form of share capital issued is ordinary shares and preference shares. Redeemable shares may also be issued if permitted under the articles of association. Other forms of capital include founder shares (management shares) and deferred shares (warrants).

As a general rule, the TASE encourages the issue of shares with equal voting rights and restricts the disparity between the par values of different voting shares. Only one class of share may be listed for trading on the parallel list of the TASE.

An Israeli company may distribute it's retained after tax earnings by way of dividends. The dividends can be distributed from earnings but should not exceed the nominal retained earnings.

Partnerships

Partnerships are regulated by the Partnership Ordinance (New Version) 1975. Other than certain professional partnerships, they may have no more than 20 partners. Partnerships of lawyers and accountants may have up to 50 partners. Partnerships may be general or limited and must be registered with the Registrar of Partnerships if there is an intention to carry on a business.

General partnership

Each partner has joint and several liability. Each partner is permitted to act on behalf of the partnership and is held to be its agent, and each partner's activities and actions are binding on the remaining partners. Each partner is separately assessed for tax on his or her related share of profits.

Foreigners can be partners unless precluded by laws relating to specific professions, where local qualifications are prerequisites to membership.

Limited partnerships

Limited partnerships must have at least one general partner, who has unlimited liability. The limited partners' liabilities are limited to the extent of their capital contribution, as specified in a written agreement between

the parties. The limited partners are prohibited from taking part in managing the partnership.

Foreign partnerships

Foreign partnerships, general or limited, may operate in Israel on condition that they provide information to the Registrar of Partnerships, including details of the partners and of at least one Israeli resident who is willing to accept legal notices on their behalf. Registration rules are the same as for Israeli partnerships.

Other forms of business organisations

Joint ventures

Joint ventures are distinguished from partnerships by the separate liability attached to each participant's own obligations. The legal documentation should be clear that joint and several liability cannot be implied.

Sole proprietorships

Any individual may operate as a sole proprietor. There are no statutory audit requirements, but there are transaction recording requirements and the tax authorities have the right to examine the books and records. A business name may be registered ('doing business as') but the business is not a separate legal entity and the proprietor has unlimited liability for business debts and obligations.

Co-operatives

Co-operative societies exist mainly in agriculture, marketing, retailing, bus transport and trucking. The Co-operative Societies Ordinance governs their activities and the co-operatives must register with the Registrar of Co-operatives at the Ministry of Labour.

Non-profit organisations

A special law enacted in 1980 governs non-profit organisations which permits activities to be conducted through an "association". An association must have a management committee, a general meeting of members of the association and an audit committee.

5. Labour

Employer-employee relations

Employer- employee relationships are governed by several mechanisms arranged in a specific order that creates a form like a pyramid where each level can't contradict the level above, only to expand it. The laws are the highest level and they determine the minimum rights that employees are entitled to. Following the laws are the collective agreements, widening orders that extend the collective agreements to the rest of the economy, collective bargaining and personal employment contracts. The collective bargaining is made between the employers' organisations, the trade unions and the government. Collective bargaining operates in the private sector as well; however there is a growing trend towards personal employment contracts.

Unions

The dominant labour organisation in Israel is the Histadrut, the general federation of labour. The labour courts have recognised the right to establish other labour organisations and this possibility exists, however there aren't countrywide unions such as the Histadrut.

Employment legislation and regulations

The working week is 43 hours by the working and resting hours law.

The minimum wages law determines that the minimum wage per an hour is 20.7 NIS and per a month is 3,850.18 NIS.

The retirement age is the same for men and women: 67.

Annual vacation law

Minimum annual paid vacations range from 10 working days after 1 year of employment to a maximum of 24 days dependent on the number of years of employment. This is in addition to the 11 statutory national and religious holidays

Equal opportunities in employment law

This law rules the employees must receive equal pay for the same work at the same place of employment, as well as equal treatment on termination of employment. It also forbids sexual discrimination in advertising and filling job vacancies, except where this is dictated by the nature of the work. In 1998 the sexual harassment in a work place law was enacted.

Women labour law

The purpose of this law is to standardise women's employment rights and it deals with maternity leave, the women rights to be absent from work such as after an abortion and medical examinations. The law also obliges employers not to dismiss a woman because she is pregnant and not to employ a woman while she is on maternity leave. This law includes deliberation and punishment clauses.

Employment of workers by employment agencies law

The purpose of this law is to compare the conditions and terms of those employed through an employment agency to those employed by the corporation itself. In order to do so the law obliges agencies to several terms to receive their permit, terms of the employment and deliberation clauses.

Collective agreements law

This law deals with collective agreements and widening orders. The law details types of collective agreement- generally those connected to certain industries and to a specific factory or a specific employer, the union structure to each type of collective agreement, the terms of the format of the collective agreement such as the writing term. The law also details the rights and the obligations of employers and employees and the terms to receive a widening order and its purpose. The law includes deliberation and punishment clauses.

Severance pay law

This law determines who is entitled for compensation upon severance, the rate of the compensation, what will be included in the month's wage for calculating the compensation and several more mechanisms concerning exceptional situations and terms.

Early notification to termination of employment law

In order to end the employer- employee relationship by dismissal or resignation, by this law, the initiator has to give to the other party notification prior to termination itself. This law determines the terms for the notification.

In addition to the above, there are regulations for specified situations and workers, such as the equal opportunities for people with limitations regulations, the women work regulations, the severance pay regulation and regulations concerning health and safety in places of work.

Social security and other costs paid by the employer must be added to the average monthly wages costs in order to arrive at overall payroll costs. The requirement to pay benefits may arise not only from collective agreements, but may also be imposed by widening orders.

Benefits payable by employers include the following:

- Compulsory payments for employees' severance pay or pension funds and the national insurance institute for social security.
- Compulsory payments through widening orders of collective agreements of travel allowance.
- Starting in 2008, according to an expanded regulation, employers are required to deposit certain percentage of the employee wages for pensions.
- Voluntary payments, often within the collective agreements, are for personal disability insurance, study and training, savings scheme, motor vehicle upkeep, family recreation, holiday gifts and bonuses.

Social security system

The basic social security system operated by the state is designed to provide benefits during sickness, unemployment and periods of disability. It also provides medical care through approved sickness funds and retirement pensions. The National Health Insurance law provides a basket of health services to all residents against payment of a health insurance premium. The national insurance covers all gainfully employed persons and previously employed persons. Benefits include work accident insurance, pay while on reserve duty, maternity leave, child allowance, old-age stipend, disability stipend and retirement allowance.

Foreign personnel

Work permits

Work permits are required before foreign personnel can be employed. Employers, giving details of the prospective employees and explaining why foreign citizens are required, must make applications to the Ministry of Labor in writing. Work permits are normally issued for up to one year but can be extended.

Work permit applications generally fall into two categories for skilled and non-skilled workers.

Skilled workers

The procedure is to obtain a work permit prior to arrival but foreigners may enter Israel on a regular visitor's visa and apply for the Minister of Labour later. With a recommendation from the Minister of Labour the foreign worker then applies to the Ministry of Interior and will need to prove that he/she has adequate health insurance coverage. The Ministry of Interior will then issue a visitor's permit of work (B-1) and a multiple-entry permit for a period of up to a year with the possibility of extension.

Families may accompany foreign specialists. Each dependent must obtain the necessary entry clearance from the local Israeli consular office before entering the country. A dependent that wishes to work in Israel will need to obtain a separate work permit.

Non- skilled workers

Applications must be approved before the individual travels to Israel. In some cases the application procedure can be shortened. This usually applies when there is a shortage of workers in specific industries such as agriculture and construction. The Israeli employer will need to submit a bank guarantee to the Interior Ministry that the foreign worker will leave the country on termination of the employment.

There are no restrictions on the number of foreign employees on a payroll, subject to their having been granted work permits.

Special arrangements

Foreign personnel generally make minimal social security contributions and are entitled to limited benefits. Medical care for foreign workers is often arranged by their employers. Foreign residents are not subject to the National Health Insurance law.

Joint bi- national agreements exist for the prevention of double payments of social security contributions relating to persons working abroad for periods of 12 to 36 months. The countries which Israel has such agreements are Austria, Belgium, France, Germany, Italy, the Netherlands, Sweden, Switzerland and the United Kingdom.

6. Taxation

The tax system

In general, Israeli taxes can be classified into three major categories:

- Income Tax
- Capital Gains Tax
- Value Added Tax (VAT).

Israel employs the classical system of corporate taxation, in which income is taxed at the corporate level and upon distribution to shareholders. A partnership is not a taxable entity; items of income and loss are passed through to the partners.

Income tax

According to the Israeli Income Tax Ordinance, Israeli residents are subject to tax on a personal method. As a result, income generated by Israeli residents is subject to Israeli tax with no distinction as to how it was generated or derived.

Foreign residents are subject to tax on income generated or derived from Israeli sources, subject to tax treaties.

In general, a fiscal year is a full year starting on January 1 and ending on December 31. With few exceptions, accounting should be conducted in Israeli currency (NIS).

Income for tax purposes is usually reported on the accrual basis. The income of professionals can be reported on a cash basis. In addition, passive income received by individuals or companies and income from services that do not require inventory can also be reported on a cash basis.

The amount subject to taxation is known as 'taxable income'. It comprises the gross income, less approved expenses and deductions, and other adjustments, where applicable.

The maximum tax rate on individuals in the year 2009 is 46%. The tax on interest is 10-15%, subject to several conditions.

Tax on companies

Companies are liable for company tax and capital gains tax on their Israeli source income and on other income received in Israel, whether or not they are resident in Israel, unless provisions of a double taxation treaty state otherwise. Resident companies are also liable for capital gains tax on their worldwide gains and, where control and management are exercised from

Israel, company tax on foreign business income. An Israeli resident company is defined as follows:

- A company registered in Israel whose main activity is in Israel. However, if registered in Israel as a foreign company, it will be deemed an Israeli resident company only if it so requests.
- A company controlled and managed in Israel.

Tax rates

The taxable income of Israeli companies is subject to a company tax of 26% for the year 2009 and will decrease to 25% for the year 2010.

Dividends paid to Israeli individuals or foreign residents (both individuals and companies) are subject to withholding taxes of 25%. In the case of existing, valid tax treaties between Israel and other countries, withholding taxes are determined in each treaty. Dividends paid to an Israeli company by another Israeli company are subject to withholding taxes of 0%.

Approved enterprises, foreign controlled companies, and foreign investors may be subject to different tax rates.

Adjustments for inflation

High inflation rates in the early 1980s led to the enactment of the Income Tax Law (Adjustment for Inflation) 1985. This law provides for taxes to be calculated on real income rather than on profit resulting from inflation, as measured by the Israeli Consumer Price Index (CPI), thus protecting equity from inflationary erosion.

US dollar adjusted reports

The Income Tax Law permits certain enterprises to present their financial reports and to manage their books of accounts in US dollars, or to link their Israeli currency figures to the exchange rate of the US dollar rather than the CPI.

Qualifying entities may be one of the following:

- A company whose paid-in capital contains foreign investment of 25% or more;
- A partnership of foreign residents, whose entire investments (including loans) are made in foreign currency;
- A company whose income is derived mainly (at least 90%) from operating vessels or aircraft in international routes.

Capital gains tax

Capital gains tax is imposed on the disposal of fixed and intangible assets where the disposal price is in excess of the depreciated cost for tax purposes. Regarding real estate in Israel, a Land Appreciation Tax is levied, the rules for which are largely similar to those for capital gains tax. The Income Tax Ordinance deals with other capital gains.

Taxable capital gains

For tax purposes, capital gains are divided as follows:

- Inflationary gain – the part of the gain derived from linkage to the Consumer Price Index (CPI).
- Real gain – the difference between the total capital gain and the inflationary gain.

The inflationary gain has been exempt from taxes since January 1994 and subject to 10% tax on the accrued portion until then. The tax rate on real gains is 25%-20% for individuals and 25% for companies.

Benefits to foreign residents

Foreign residents are subject to the same tax rates, but in the event that they invest foreign currency, they may choose to calculate the gains in the original currency rather than Israeli currency.

In addition, the inflationary gain on the sale of shares of an Israeli company, purchased originally with foreign currency, is exempt from tax if the calculation is based on the changes in the specific exchange rates to the Israeli Shekel.

Sales of stocks

Capital gains on the sale of securities traded on the TASE are subject to a tax of 20% for individuals and 25%-26% for companies.

Gains from the sale of stocks of companies traded abroad on approved stock exchanges by Israeli residents are subject to tax regulations as if traded on the TASE. Foreign residents in Israel are exempt from tax on gains from the sale of stocks of Israeli companies traded abroad on approved stock exchange under several restrictions:

- The gains are not from a permanent factory in Israel belonging to the foreign resident;
- The stocks were purchased by the foreign resident after the recording of the company's stocks in an approved stock exchange abroad.

Capital losses

Capital losses may be offset against real capital and land appreciation gains. All capital losses may be carried out with no limitations.

Value added tax

Value Added Tax (VAT) is an indirect tax, based on the consumption of goods and services in Israel.

VAT is levied at each stage of the sales and distribution chain, including imports, based on the added value of each stage.

At each stage, VAT is collected from the buyer and transferred to the Customs and Excise Division at the Ministry of Finance, after deducting VAT paid to suppliers. Therefore, the final consumer bears the VAT charged by the supplier without being able to deduct it.

VAT rates

VAT in Israel is uniform for all taxable transactions at the prevailing rate of 16.5%.

Some transactions are subject to VAT at the rate of 0%, such as:

- Exported goods
- Fresh fruit and vegetables
- Hotel services and car rentals to tourists who pay in foreign currency
- Sale of intangible assets to non-residents
- Transportation of cargo and passengers to and from Israel
- Insurance premiums
- Certain services rendered to non-residents.

Payroll taxes

For 2009 financial institutions (banks and insurance companies) pay a 16% payroll and profit tax instead of VAT. The payroll tax will increase to 16.5% starting 2010. Approved non-profit institutions pay a 7.5% payroll tax instead of VAT.

Other taxes

National insurance (social security)

Both employers and employees pay for national insurance. The employees' share includes compulsory health insurance.

Acquisition tax

The purchase of real estate is subject to an acquisition tax, to be paid by the buyer. The tax is based on the purchase price of the asset as follows:

- Residential dwellings 0.5%-5%
- Other 3.5%-5%.

Betterment levy

A tax rate of 50% is imposed on real estate, if its value increased due to changes in building rights or upon re-zoning. The tax is payable when a building permit is issued or upon sale of the asset.

Land betterment tax

As stated previously, sale of real estate is subject to capital gains taxes. However, special rules apply to the sale of shares and rights in companies in which the major assets consist of real estate. The sale of residential real estate by individuals is exempt from tax if certain conditions are met.

Custom duty

Certain goods imported to Israel are subject to custom duties. The rates vary and are usually based on CIF value. Various trade agreements with the USA, European Community and European Free Trade Association reduce duties compared with imports from other countries.

Purchase tax

Certain goods sold in Israel are subject to purchase tax.

Municipal tax

Municipalities impose annual taxes on real estate, depending on location, actual built area and use.

Special tax free zones

Eilat Free Trade Zone

Companies doing business in Eilat or residing there are exempt from VAT; individuals residing receive tax credits; and employers receive a rebate on labour costs paid in Eilat.

Free Port Zones

The ports of Haifa, Ashdod and Eilat contain areas which have been declared Free Port Zones. Companies located in the Free Port Zones are

eligible for benefits, including lower company tax rates (in Eilat), lower withholding tax on dividends (in Eilat), exemption from property tax and unrestricted use of foreign currency. At present, the Free Port Zones Law has not been implemented.

Tax treaties

Israel has signed tax treaties with several countries. The following table summarises withholding tax rates on dividends, interest and royalties in accordance with various tax treaties.

	Dividends (%)	Interests (%)	Royalties (%)
Non-treaty countries	25	25	25
Austria	25	15	10
Belgium	15	15	10/0
Belarus	10	0/5/10	5/10
Brazil	15/10	15	15/10
Bulgaria	12.5/10	5/10	12.5
Canada	15	15	15
Czech Republic	15/5	10/0	5
Denmark	25	25	10
Finland	15/10/5	10/5	10
France	15/10/5	10/5	10
Germany	25	15/0	5/0
Greece	25/10	10	
Hungary	15/5	0	0
India	10	10/0	10
Ireland	10	10/5	10
Italy	15/10	10	10/0
Jamaica	22.5/15	15/0	10
Japan	15/5	10	10
Mexico	5/10	10	10
Netherlands	15/10/5	15/10	15/10
Norway	25	25	10
People's Republic of China	10	7/10	10
Philippines	15/10	10	Up to 15
Poland	5/10	5	5/10
Romania	15	10/5	10
Russia	10	10/0	10

	Dividends (%)	Interests (%)	Royalties (%)
Singapore	5/10	7	5
Slovakia	5/10	2/5/10	10
South Africa	25	25	0/15
South Korea	15/10/5	7.5/10	2/5
Spain	10	5/10	5/7
Sweden	0	25	0
Switzerland	5/15	5/10	5
Thailand	10/15	10/15	5/15
Turkey	10	10/0	10
United Kingdom	15	15	15/0
United States of America	25/15/12.5	17.5/10	15/10
Uzbekistan	10	10	5/10

In general, such treaties are intended to avoid double taxation so that taxes are not paid in both countries on the same income. Each country collects taxes on income derived from its territory according to its tax laws, with allowances for taxes paid in the other country. The income of a foreign citizen or resident is subject to tax in Israel only on income derived from Israeli sources, and the income of an Israeli citizen or resident is subject to the foreign country's tax on income from sources in the foreign country. Such treaties generally cover corporations and individuals residing in both countries or holding dual citizenship.

7. Accounting & reporting

The banking system

Israel has a well-developed and modern banking system that provides a wide range of banking, financial and credit services. The following features characterise the system:

- A high degree of concentration, with two major banking groups accounting for approximately 60% of the total assets of the commercial banks in Israel. These two groups are Bank Leumi and Bank Hapoalim. Three other significant banking groups are Israel Discount Bank, Mizrahi Tefahot Bank and First International Bank of Israel which account for another 33%.
- Liquidity regulations (currently being eased) that limit the volume of free credit available to the public.
- A relatively high level of international activities and interaction with major foreign banks by Israeli commercial banks.

Central bank

The Bank of Israel is the country's central bank. The Bank of Israel Law 5714-1954, as amended, and other laws dealing with banking and monetary matters, determine the functions and powers of the Bank (and its governor) as noted below:

- The Bank acts as the government's banker and fiscal agent and as the public sector's dealer in the local financial markets;
- It has the sole right to issue currency;
- It is responsible for devising and implementing Israel's monetary policy;
- It acts as the banker for commercial and other banks, fulfilling the role of lender of last resort;
- It maintains the country's foreign currency reserves and publishes the representative exchange rates of the new shekel against the principal foreign currencies daily;
- It regulates and supervises commercial and other banks, including their foreign activities, in order to ensure sound practices and protect the public interest;
- It is responsible for the availability of export financing;
- It is responsible for foreign exchange controls.

The Governor of the Bank acts as the government's official economic adviser. The Bank's primary functions are in the field of monetary policy, where it supervises and directs the funds made available as loans to the

public. In carrying out its monetary policy, the Bank of Israel must navigate between what are sometimes conflicting macroeconomic targets, such as promoting full employment, lowering and containing the rate of inflation, improving the balance of payments, and maintaining economic growth.

Commercial banking

Commercial banks in Israel provide all the customary wholesale and retail banking services and also provide merchant banking, underwriting and portfolio management services either directly or through subsidiaries, as follows:

- Short-term financing
- Financial instruments
- Investor services
- Underwriting services
- Mortgage banking
- Other additional services.

International transactions

Israeli banks are experienced in dealing with international transactions as funds are transferred to and from Israel regularly, for both business and private purposes. The banks maintain subsidiaries and branches abroad and have a full range of international connections. The banks' facilities have grown in line with the growth of Israel's export and imports.

Investment/merchant banking

Investment banking is conducted by the commercial banks and by investment banks (subsidiaries of two large banks).

Commercial banks legislation are not allowed to invest more than 20% control in non-financial investment. These investments are also limited to a percentage of the bank's equity. Merchant banks may for a certain period exceed these limits.

Full investment banking services are offered, including raising long-term capital through public issues or private placements of shares or debentures, with or without convertible warrants or options. Companies are assisted in preparing for capital issues in the local and overseas capital markets.

Leasing companies

Leasing companies are active in providing asset-backed finance to industry and commerce and to private individuals. A wide range of equipment is

leased, including heavy and light industrial equipment, computers and peripherals, and motor vehicles.

Investment institutions

Insurance companies

Insurance companies are regulated and their investment activities from insurance funds are strictly controlled. Commercial financing is generally permissible only from their own equity funds.

Pension and other funds

Pension funds, severance pay funds, mutual funds and unit trusts invest in securities designated by law and are not sources for commercial financing.

Financial markets

The TASE

The Tel-Aviv Stock Exchange, established in 1953, is the trading place for securities issued by public companies and government bonds. About 643 companies are listed. During the recent years variety of investment tools were adopted in TASE, which include securities and government bonds, shares, options, derivatives, mutual funds, bonds, ETF's. These market securities are traded daily. It is estimated that shares daily trade volume sums to NIS 2,000 M.

Trading in securities and raising capital from the public are regulated by the Securities Act to protect the interest of investors. The Securities Authority authorises the issuance of prospectuses, checks financial reports and special transactions, supervises the TASE and investigates issues regarding the Securities Act.

To issue securities to the public, the issuer must issue a prospectus according to specific requirements, similar to those prevailing in the US.

Prerequisites

Listing stocks on the TASE is subject to the approval of the Securities Authority Board and to certain prerequisites:

- The issued capital stock is fully paid
- The Articles of Association do not limit the transferability of the listed securities
- There is an adequate spread, both in value and distribution, of the listed securities

- The offering and issuance should be in equal terms and price to all, even though it is permitted to make certain distinctions regarding certain investors or issuance, as determined in the guidelines of the TASE
- The Articles of Association provide that voting in the general meeting will be through counting votes
- The company agrees to abide by the rules of the TASE and its Board.

Listing requirements

For a company to list its shares on the TASE, it must meet certain criteria. Regarding an Initial Public Offering (IPO), certain major financial criteria apply, such as:

- Years of business activity.
- Stockholder's equity before and after registration.
- Public's equity.

Bond trading

The most significant group of bonds listed on the TASE is government and private company bonds. There are bonds linked to the CPI or to foreign currencies, principally to the exchange rate of the US dollar, and several are traded in foreign currency.

Due to the reduction in government expenditure and budgetary deficit together with the Government's budgetary policy, the bond refinancing needs of the government have been reduced since 1986. As a result, there have been increased private company bond issues which are claiming a greater proportion of the overall market. The reform of the local capital market has also eased the way for companies to raise capital, and public issues of shares in government companies have broadened the scope of trading on the TASE.

TASE trading systems

In August 1997, the TASE successfully introduced a fully online trading system allowing for fluent, simultaneous, highly liquid trading activity devoid of trading arenas. All shares are now traded in this online trading system including convertibles and bonds.

The futures and derivatives market opened in 1993. Call and put options are traded on the TA-25 index, based on the 25 shares within the TASE 100 with the highest market value.

Israeli companies traded on foreign stock exchanges

More than 150 Israeli companies have sought to raise equity capital through overseas capital markets. These companies are mainly high-tech or software companies. Most are traded in the US over-the-counter (NASDAQ) or are quoted on the American or the New York Stock Exchanges. Certain of these companies are also traded on the TASE. There are also 30 Israeli companies listed in London either on the Alternative Investment Market or on the London Stock Exchange, and on the Nouveau Marche.

Prohibition of Money Laundering Law

The Prohibition of Money Laundering Law was published in 2002. The law obligates financial institutions such as banks, stock exchanges and money changers to notify to the authorities (IRS, Prohibition of Money Laundering task force) the identification of the person or company requesting services such as investing money, opening an account on behalf of someone else, the amount of money and its origin.

Accounting principles

As of July 2006, all domestic listed companies in Israel have been able to use International Financial Reporting Systems (IFRSs) instead of national accounting standards. During 2008 Israel listed companies replaced fully national GAAP with IFRS.

As for most of private companies still use, Israeli GAAP which includes diverse principles regarding presentation, accounting policy and disclosure, it should be mentioned that most of the new Israeli GAAP new pronouncements are translations of IFRS pronouncements, which are primarily:

- Since January 1 2004 the financial statements are reported in nominal values and are not adjusted for changes in purchasing power expressed in the rise of the Israeli Consumer Price Index (CPI);
- Principles regarding consolidation of financial statements or proportionate consolidation, and presentation of investments on an equity basis;
- Required accounting policy for interim financial statements;
- Accounting related to construction of buildings held for sale and contracted projects;
- Accounting policy and reporting rules on severance, retirement, pension and vacation pay;
- Disclosure requirements and the policy of transactions between related parties;

- An evaluation of the presentation of marketable securities in financial statements;
- Tax implications in financial statements;
- Accounting policy of convertible securities (warrants and convertible liabilities);
- Structure of cash flow statements;
- Treating and presenting of subsequent events;
- Accounting principles of non-profit organisations;
- Presentation of earning per share, including consideration of convertible securities;
- Investment grants from the perspectives of presentation and amortisation;
- Structure of the financial statements presentation for industrial, commercial, publicly traded and other companies
- Accounting policy for venture capital funds;
- Disclosure regarding uncertainties derived from year 2000.

On emerging issues, Israeli high-tech companies frequently apply IFRS & US GAAP including Statements of Position of the American Institute of CPAs.

The provisions of laws related specifically to certain sectors (such as banks, insurance companies, municipalities, etc.) and to companies listed on the TASE (such as Israeli Securities Regulations) are of primary importance. These provisions determine, *inter alia*, the accounting policy, presentation and disclosure in the financial statements.

Recording of transactions

According to Israeli GAAP transactions are recorded and the financial statements are prepared on the basis of historical cost and according to the following basic accounting principles:

- Going concern;
- The accruals or matching concepts;
- The prudence concept or conservatism in that only realised profits at the balance sheet date are included, whereas provisions for all losses, including those realised after the balance sheet date are included;
- The accounting principles are consistently applied.

In certain cases, some professional partnerships and individuals use cash basis accounting.

Other accounting principles

Some of the other accounting principles in Israel relate to asset valuation; purchase of another business; consolidated financial statements;

consolidated financial statements; accruals, provisions and reserves; and book and tax differences.

Auditing on financial statements

An audit is performed for the auditor to express an opinion as to whether a financial statement fairly presents, in all material respects, the financial position of the company, its results of operations, changes in stockholders' equity, and its cash flows in conformity with the relevant GAAP Israeli, IFRS or US GAAP.

In performing the audit, the auditor must comply with the standards that require that he perform the audit professionally and prudently. Furthermore, he must perform the audit in an independent manner, thereby permitting him to perform the audit honestly and objectively.

The Institute of Public Accountants in Israel regularly publishes guidelines for the recommended audit procedures to be applied by auditors, so that the audit examines the risk centres in the companies and focuses the audit on these risk centres.

The annual financial statements of all companies are required by the Companies Ordinance to be audited by independent public accountants. Under the Securities Law, the auditors' report or review of the quarterly financial statements must be attached to the financial reports submitted.

8. UHY firms in Israel

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UHY Shtainmetz-Aminoach & Co. is ranked as one of Israel's largest and leading accounting firms. The firm provides comprehensive accounting services of the highest quality and professional expertise, and in particular the most complex aspects of domestic and international taxation matters. The firm's clients include more than 1,700 Israeli companies and representatives of overseas firms, among them subsidiaries of the largest groups and holding companies in the Israeli economy as well as businesses from all sectors of the economy such as multinational companies, high-tech firms, construction and real estate, industrial, trade and services concerns.

Special Emphasis on Tax Matters

The firm's unique professional structure enables it to provide the most creative and efficient tax strategies and offer unique insights, which generate enormous savings and effective results for clients. The firm has acquired experience and extensive know-how in tax consulting for international transactions (rolling), tax arrangements, voluntary diligence procedures, and trusteeship arrangements for options and shares under clause 102.

PCAOB registered

UHY Shtainmetz-Aminoach & Co. is one of the few accounting firms in Israel authorised to submit to the U.S. Securities Authority (SEC) the reports of companies traded on the NASDAQ market and other U.S. stock exchanges, as well as the reports of their subsidiaries.

Professional Publications

The firm has written and published The Taxation of Pension and Provident Funds dossier. This 700 pages dossier is the leading publication of its kind in Israel and is distributed as a printed dossier and as a digital dossier. The dossier has sold over 2,000 copies, among others, to the Israel Tax Authority which purchased dozens of copies for use of the Income Tax



Commission and income tax officials. The firm is a regular author for Yeda Lemeyda, Neto Plus, and Kol Atid Hashavim's website.

Dynamic Growth

Established in 1987, UHY Shtainmetz-Aminoach & Co. is led by: Reem Aminoach, Kobi Shtainmetz, Ehud Avrahami, Shmulik Hirshfeld, Ofer Cheredman, Alon Ber, Hadass Sharim, Limor Ben David and Kobi Ittah, who bring to the firm extensive experience, comprehensive know how and unique insights and creative strategies into accounting and taxation issues for the benefit of clients. Ofer Cheredman, who was until recently Departmental Director of the Income Tax Authority, specialises in international taxation and mergers and acquisitions, and served as a professional consultant to tax assessment officers. Kobi Ittah, the former Director of the Income Tax Authority's Department of Pension and Provident Funds and former CEO of the Atudot Pension Fund, joined the firm in 2007, reflecting the rapid growth that the firm is currently undergoing in its activities, professionalism and volume of clients.

Comprehensive Services

The firm's comprehensive accountancy services include: preparing and auditing financial reports, evaluations and professional opinions, arbitration management, trust services including trusteeships for bond offerings and hedge funds, general and ongoing financial and economic consulting and all aspects of taxation including tax planning, representing clients before the tax authorities and international taxation. Services are tailored to each individual client's needs in a wide range of areas, and include the most sophisticated tax planning and guidance for public and private companies, for multinational corporations and nonprofit organisations.

Pensions and Provident Funds

The firm is Israel's leading specialist in the taxation aspects of pension plans, provident funds and retirement plans. The firm's partners, in cooperation with Kobi Ittah, have written a book of about 700 pages on the subject. This book is considered to be the leading publication on pension plans and provident funds in Israel. It is updated in an ongoing manner and includes all the latest amendments on the topic of pension taxes. One of the features of the publication is an on-line data bank on the Internet.

On-Line Accountancy

UHY Shtainmetz-Aminoach & Co. is one of the pioneers of on-line accountancy by providing its clients with direct on-line access at all times to the latest accountancy and tax information. The firm has established a protected Internet site through which clients can receive real-time

information about their businesses. UHY Shtainmetz-Aminoach & Co. is one of the only major firms in Israel to supply this service.

Globes' Survey (Leading Israeli Financial newspaper)

In a survey conducted on June 2008 among accountants by the Israeli financial newspaper Globes the 10 qualitative Israeli firms were ranked according to three parameters: taxes, inspection and handling high-tech companies. The firm was ranked among the 10 leading firms in every parameter.

Partners

Reem Aminoach, Kobi Shtainmetz, Ofer Cheredman, Shmulik Hirshfeld, Ehud Avrahami, Alon Ber, Kobi Ittah.

Management Profile:

Reem Aminoach

Education: Certified Public Accountant, M.B.A., Tel Aviv Univ.; B.A., (summa cum laude), Accounting and Economics, Tel Aviv Univ. During the course of his studies he received a letter of honor from the Knesset (Israel legislation institute), and a scholarship for excellence from the Public Accountants office for excellence in taxation and a scholarship for excellence from the Wolfe Fund and more. Other Current Positions: Director & Chairman of the Auditing Committee of Zim Ltd.; Director of Ofer Bros. Assets Ltd. Areas of Expertise: Ongoing Business Accompaniment. Military Rank: Colonel (Res.).

Kobi Shtainmetz

Education: Certified Public Accountant and Qualified Lawyer, M.A., Economics, Tel Aviv University; LL.B., Tel Aviv University; B.A., Accounting and Economics, Tel Aviv University. Past Positions: Director, Mizrahi Tefahot Bank and Chairman of the Bank's Auditing Committee. Areas of Expertise: Specialist in Corporate Taxation, Approved Enterprises, and International Taxation and one of the country's leading experts in Financial Taxation.

Shmulik Hirshfeld

Education: Certified Public Accountant and Qualified Lawyer, LL.B., Bar-Ilan University; B.A., Accounting. Other Current Positions: Member of the Tax Committee, Israel Bar Association; Lecturer in the Israel Bar association on Taxation issues; Lecturer in the Securities Taxation sector and "Creative Tax Planning" at MATI, John Bryce and more. Past Positions: Department of Taxation, Somekh Chaikin (KPMG); Tax Department, Gornitzky & Co. Lawyers; Director of Halman-Aldubi. Areas of Expertise: Expertise in

Ruling Arrangements with the Tax Authority, High-Tech Companies, Start-Ups; Securities Taxation and Complex Tax Planning.

Ofer Cheredman

Education: Certified Public Accountant, M.B.A., Tel Aviv University; LL.B.; B.A., Accounting & Economics, Tel Aviv University. Past Positions: International Taxation Departmental Manager, Tax Authority; Mergers and Splits Departmental Manager, Tax Authority; Lecturer for the Tax Authority at professional conferences of the Israel Bar Association and tax consultants; Lecturer at inspectors' courses, the Economic Organization of the Industrialized Countries of the Tax Authority; Professional Referee for various income tax assessors; Lecturer at the Accounting Faculty, Bar Ilan University; Editor of Commentary Collection about Income Tax Orders. Areas of Expertise: International Taxation; Mergers and Acquisitions; and Submitting Pre-Rulings to the Tax Authorities.

Ehud Avrahami

Education: B.A., Business Administration. Past Positions: Income Tax Inspector specialising in the Contracting Sector; Taxation Department at KPMG. Area of Expertise: Contractors Taxation.

Alon Ber

Education: Certified Public Accountant, B.A., Accountancy & Economics, Tel Aviv University. Past Positions: V.P., Finances, SFKT of the Shrem Fudim Group; CFO, SFG Wings 2000 of the Shrem Fudim Group; Senior Manager, Somekh Chaikin (KPMG). Areas of Expertise: Public Companies; Financial Accounting; IFRS.

Kobi Ittah

Manager of Pension Taxation & Provident Funds

Past Positions: Manager, the Providence Fund sector and the Pension Taxes for the Income Tax Commissioner; Manager, the Taxation Sector for Long-Term Savings at Clal Insurance Group; CEO, Atidot Pension Fund of Clal Insurance Group. Areas of Expertise: Counseling Institutional Bodies, Insurance Companies, Pension Funds and Banks; Tax Arrangements for Retirement and Tax Counseling for Retirees; one of the authors of the professional manual "Pension Taxes and Provident Funds." Other Current Positions: Lecturer, Insurance College and the Academic College, Netanya; Lecturer in courses and seminars of the Insurance Agents Office and Tax Advisors Office; Lecturer to Insurance Agents on behalf of insurance companies and insurance agencies.

Hadass Sharim

Education: Certified Public Accountant and a qualified lawyer. LL.B., B.A., Business Administration, The College of Management. Professional Background: Partner and Taxation Manager, Ehud Porat & Co.; Senior Supervisor, Israel Tax Authority. Areas of Expertise: Ruling Arrangements, Companies Taxation, Real Estate Taxation.

Limor Ben David

Education: Certified Public Accountant and a qualified lawyer. LL.B. Professional Background: Capital Market Field at Kantor & Co.

9. UHY offices worldwide

For contact details of UHY offices worldwide, or for details on how to contact the UHY executive office, please visit www.uhy.com