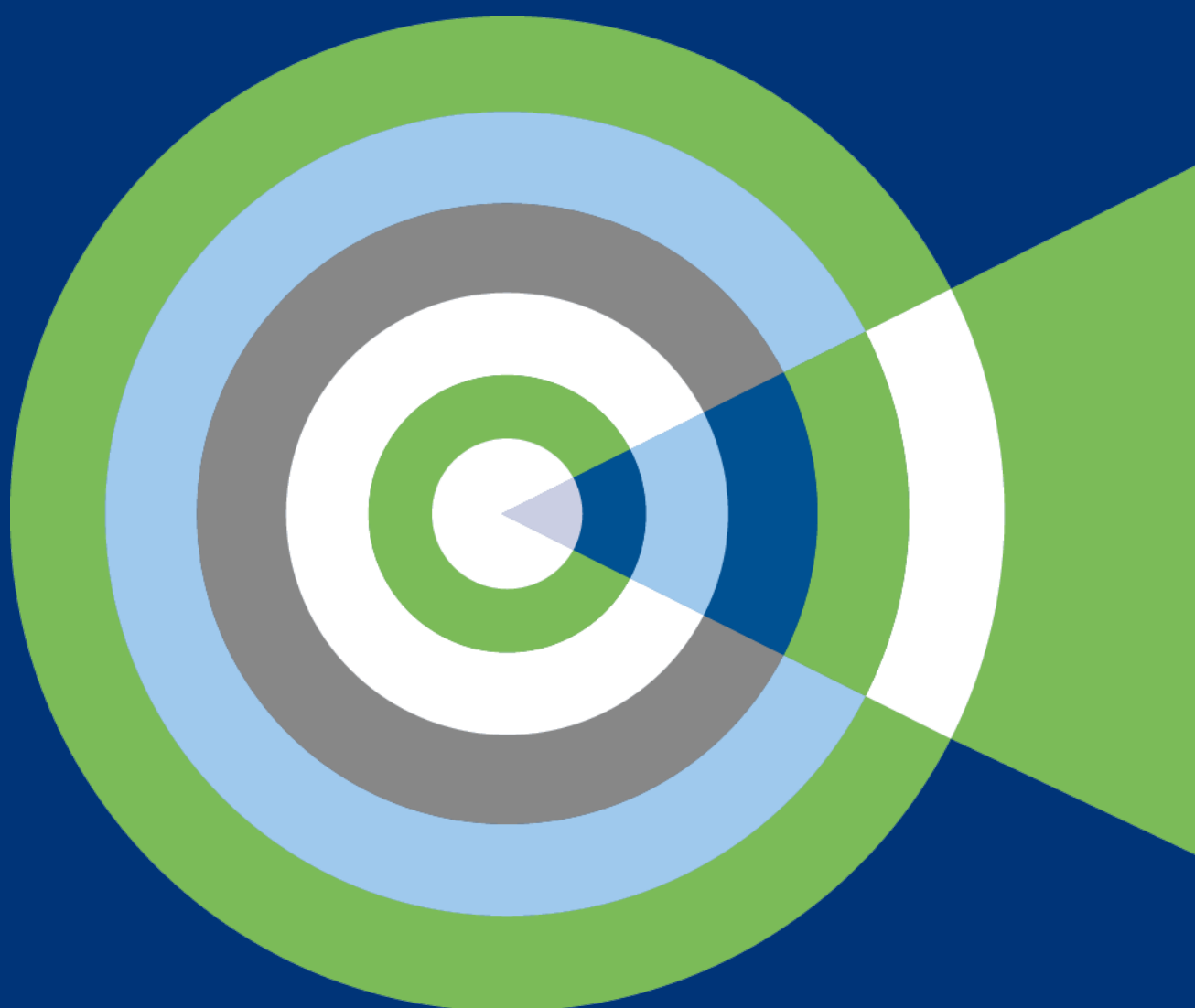


DOING BUSINESS

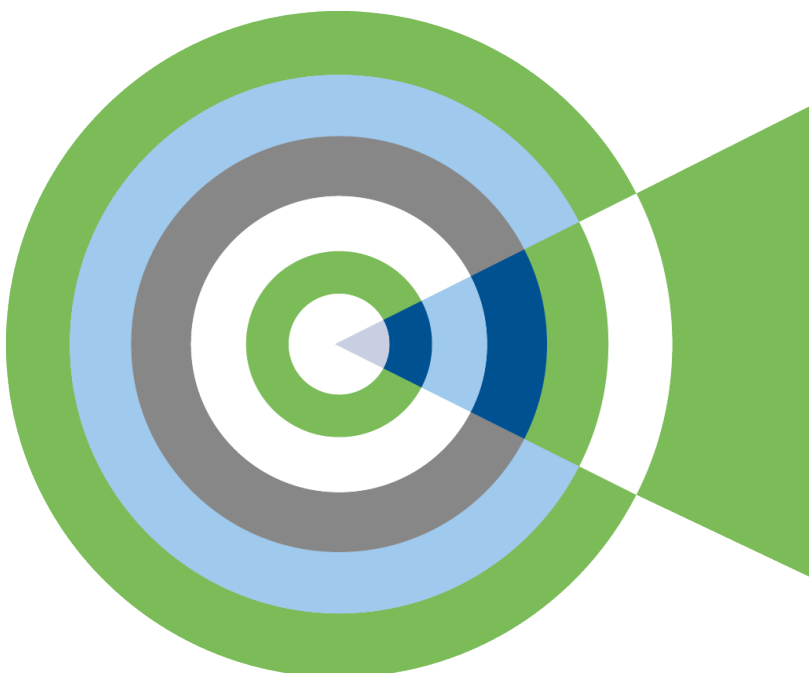
IN ISRAEL



The network
for doing
business

CONTENTS

1 – Introduction	3
2 – Business environment	4
3 – Foreign Investment	7
4 – Setting up a Business	13
5 – Labour	17
6 – Taxation	21
7 – Accounting & reporting	28
8 – UHY Representation in Israel	34



1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 100 countries throughout the world.

Business partners work together through the network to conduct transnational 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 May 2023.

We look forward to helping you do business in Israel.

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 square kilometres (8,500 square miles), including the Golan Heights (1,200 square kilometres), but excluding Gaza, Jericho and the West Bank Administered Territories, which include areas administered by the Palestinian Authority.

Jerusalem (with a population of 900,000) 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 (the Greater Tel Aviv area has a population of 1.9 million). Other key urban centres include Haifa (with a population of 470,000) and Ashdod, which are two of the major port cities of Israel. Eilat is a tourist resort 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) and snow-capped mountains in Mount Hermon.

The country 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 metres (1,300 feet) below sea level, is the lowest point of the earth on land 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 73 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 8.8 million today. This figure comprises approximately 75% Jews, with the remaining 25% 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 seven-year term, and for one term only.

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 (currency code ILS), which comprises 100 Agorot. (For the ILS exchange rate in relation to foreign currency, see Foreign Exchange Controls in 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 square metres (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 into 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 8–9am to 4–5pm, Sunday to Thursday, and from 8am–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 BACKGROUND

A positive and open attitude prevails towards foreign investment in Israel.

Government policy is aimed at providing investment incentives to industries which 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. These incentives are available to both foreign and Israeli investors. The main exceptions are where, in certain cases, larger tax reductions are available to foreign-owned enterprises compared with Israeli-owned enterprises; and the 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 a project's total expenditure are available.

ENCOURAGEMENT OF CAPITAL INVESTMENT LAW

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

In addition to 'preferred enterprise' status, there are other classifications for approved enterprises in order to receive special investment grants, as well as a special status of 'international trading company' for foreign companies trading mainly abroad.

The request to obtain 'preferred enterprise' status is made upon filing the annual tax return.

APPROVED ENTERPRISES

Investment incentives are given through the granting of 'approved enterprise' status to industrial and tourism enterprises approved by the Israel Investment Centre in Jerusalem (which administers the Encouragement of Capital Investment Law). Benefits are provided only in 'A' national priority 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 Centre agrees to a different form of ownership.

At present, the Investment Centre 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 Centre's criteria may be approved.

INCENTIVES FOR APPROVED ENTERPRISES

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 tourism enterprise taking such grants are liable for a reduced corporate tax for a period of seven years.

PREFERRED ENTERPRISES

A preferred enterprise can apply to be considered an 'approved enterprise' and to receive investment grants, where the right to receive investment grants and to enjoy reduced corporate tax rates are applicable.

However, entitlement to the benefits is subject to fundamental conditions, of which the most important are:

- The enterprise exports at least 25% of its sales
- It is an enterprise working in the area of 'new energy'.

In the end of 2016 the law amended and the tax rates of a "preferred enterprise" were reduced, and a new status of Preferred Technology Enterprise was determined. Eligibility for this status will be regulated by a "green track" for an enterprise that meets certain conditions as set below (indicating, among other things, research and development, or R&D activities) or alternatively by way of approval of the National Authority for Technological Innovation with the consent of the Israel Tax Authority in accordance with criteria to be determined. In addition, the Preferred Technology Enterprise must meet an export condition of at least 25% of the sales of such enterprise.

In addition, the law amended a new technological enterprise incentive regime with

	Tax year	Enterprise location development area "A"	Other areas
Preferred enterprise	2014-2016	9%	16%
	2017-2023-	7.5%	16%
Preferred Technologic enterprise	2017-2023	7.5%	12%
Preferred special technologic enterprise	2017-2023	6%	6%
Preferred special enterprise	2017-2023	5%	8%

decreased tax percentages to enterprises that meet certain conditions, including:

1. Investment of at least 7% of income, or at least 75 million NIS in R&D activities.

2. And at least one of the following conditions:

* At least 20% of the workforce (or at least 200 employees) are employed in R&D.

* A venture capital investment approximately equivalent to at least \$2 million was previously made in the company; or

* Growth in sales or workforce by an average of 25% over the three years preceding the tax year.

A "Special Preferred Technological Enterprise" is an enterprise that meets conditions 1 and 2 above, and in addition has total annual consolidated revenues above 10 billion NIS.

The decreased tax percentages are according the following table:

The dividend distribution from a preferred enterprise is subject to a reduced tax rate of 20%. In addition, a 4% WHT rate should apply on dividend distributed by an Israeli company (owning a technological enterprise) to a foreign resident company with at least 90% of the Israeli company shares being held by foreign resident companies.

R&D INDUSTRIAL ENCOURAGEMENT LAW

The R&D Industrial Encouragement Law established a research committee which can 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 abroad knowledge which has been supported by Israel's chief scientist. Before the amendment, this was forbidden.

Amortisation of acquisition amount

A special law that encourages investment in Israeli high-tech industry provides different tracks that allow for amortisation of the acquisition amount further to detailed rules (the Angel's Law).

The Angel's Law currently contains three tracks.

Under Track One, for acquisitions between 1 January 2011 and 31 December 2019, an Israeli tax resident company that acquires a controlling interest in a private Israeli company that meets certain R&D activity levels shall be entitled to amortise its acquisition amount (i.e. consideration paid for shares less the purchased company's positive equity capital if any) from its taxable income equally over five years beginning with the tax year following the acquisition. Entitlement to this deduction is subject to the fulfilment of detailed qualifying conditions, which include, *inter alia*, that both companies have approved plans in the year of acquisition, meet certain R&D investment levels, employ a certain prescribed percentage of employees having academic degrees in certain qualifying fields, and for the first three years of the amortisation period the R&D expenses of the acquired company are incurred for its own company or that of the purchasing company and at least 75% of such expenses are incurred in Israel. Detailed rules apply.

Track Two applies to single investors that invest in seed companies, and applies to investments between 1 January 2011 and 31 December 2019.

Track Three applies to single investors that invest in early stage companies, and applies to investments between 1 January 2016 and 31 December 2019.

Under Tracks Two and Three, individual investors who invest in high-tech Israeli companies (which meet the definition of 'qualifying investment') will be entitled to deduct their investments, over three years up to ILS 5 million in each company, as an expense against their total taxable income. This allows early recognition of the investment as a current expense (instead of recognising it on the date of realisation of the shares of the investee company). The most significant advantage inherent in the Angel's Law is the investor's ability to offset its investment against income at higher tax rates, such as employment income. The qualifying conditions differ for Tracks Two and Three. Detailed rules apply.

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 industry in Israel by either purchasing Israeli companies or by establishing their own subsidiaries in Israel. Several Israeli high-tech start-up companies have drawn 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 projects, 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 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, as detailed below.

GOVERNMENT GRANTS

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

INTERNATIONAL CO-OPERATION

US-ISRAEL SCIENCE AND TECHNOLOGY COMMISSION

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

BIRD-F

The Israel-US Bi-national Industrial Research and Development Foundation (BIRD-F) 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 USD 2.5 million 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 include another of the 45 Eureka-member countries. Eureka operates more than 680 projects and has a working annual budget of EUR 1.4 billion.

CIIRDF

The Canada-Israel Industry and Research Development Foundation (CIIRDF) 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 (SIIRD) 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

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 through the Global ICT (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. Legal entities comprise inter alia companies, partnerships, co-operatives, joint ventures and not-for-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 in this section.

PRIVATE COMPANIES

A private company is prohibited from offering its shares to the public and has restricted rights over the 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 by 31 December, 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 which apply to public companies, including the adoption of International Financial Reporting Standards (IFRS).

PUBLIC COMPANIES

A public company must have at least seven stockholders, with no maximum limit. 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.

As of 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 in 2009, new security regulations under 'The Goshen Committee' were published. These regulations relate to listed companies' corporate governance, internal control, external auditors and financial disclosure.

COMPANY FORMATION

For a company to be considered as 'incorporated', it must be registered with the Companies Registrar at the Ministry of Justice. As well as 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 their 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 covers:

- Details of share capital and the 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
- The distribution of dividends.

A private company will include limitations on the 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, companies already traded in foreign stock exchanges (like NASDAQ) can register in the TASE and are required to publish only the material the company publishes for the foreign stock exchange.

A company incorporated overseas may establish an Israeli Branch or local office in Israel. For this purpose, the company should register as an Israeli foreign company with the Israeli Companies Registrar.

After the incorporation is complete, the company should appoint a local tax representative accountant to complete the registration in the tax authorities and prepare annual tax reports. The main advantage of this procedure is the possibility to transfer money to the foreign company without paying dividend tax.

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 its 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 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 the 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 co-operatives must register with the Registrar of Co-operatives at the Ministry of Labour.

NOT-FOR-PROFIT ORGANISATIONS

A special law enacted in 1980 governs not-for-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 which are arranged in a specific order to create a form of pyramid, where each level cannot contradict the level above, only add to it.

The laws are the highest level and they determine the minimum rights to which employees are entitled. Following the laws are the collective agreements, widening orders which extend the collective agreements to the rest of the economy, collective bargaining and personal employment contracts.

Collective bargaining is conducted between the employers' organisations, the trade unions and the government. Collective bargaining operates in the private sector as well; however here, 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, but though this possibility exists, Histadrut is the only countrywide union at present.

EMPLOYMENT LEGISLATION AND REGULATIONS

The working week is 42 hours according to the Working and Resting Hours law.

The Minimum Wages law determines that the minimum wage is currently ILS 5,300 per month. The minimum wage per hour is 1/182 from the minimum wage per month.

The retirement age is 67 for men and 62 for women.

ANNUAL VACATION LAW

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

EQUAL OPPORTUNITIES IN EMPLOYMENT LAW

This law rules that 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 dictated by the nature of the work. In 1998, the Sexual Harassment in a Workplace law was enacted.

WOMEN'S LABOUR LAW

The purpose of this law is to standardise women's employment rights. It deals with maternity leave and women's rights to be absent from work at certain times, such as after an abortion and medical examinations. The law also obliges employers not to dismiss a woman because she is pregnant or 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 with those employed directly by the corporation itself. In order to do so, the law obliges agencies to certain terms in order 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 for each type of collective agreement and the terms of the format of the collective agreement, such as the writing term. The law also details the rights and 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 to receive compensation upon severance, the rate of the compensation, what is to 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 the 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 equal opportunities for people with limitations regulations, women's work regulations, 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 wage 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 to the national insurance institute for social security
- Compulsory payments through widening orders of collective agreements for travel allowance
- As of 2008, according to the expanded regulation, employers are required to deposit a certain percentage of their employees' wages for pensions
- Voluntary payments, often within the collective agreements, are for personal disability insurance, study and training, savings schemes, 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. 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 Labour 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 correct procedure is to obtain a work permit prior to arrival but foreigners may enter Israel on a regular visitor's visa and apply to 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 one 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 who 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.

Israel signed several totalisation agreements for the prevention of double payments of social security contributions relating to persons working abroad for periods of 12 to 60 months. The countries with which Israel has such agreements are Austria, Belgium, Bulgaria, Canada, Czech republic, Denmark, Finland, France, Germany, Italy, the Netherlands, Norway, Romania, Slovakia, Sweden, Switzerland, *UAE* , the United Kingdom and Uruguay and Russia.

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 1 January and ending on 31 December. With few exceptions, accounting should be conducted in Israeli currency (ILS).

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 which 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 2023 is 47%. The tax on interest is 15–25%, subject to several conditions. A special levy of 3% is levied on taxable income exceeding 698,280 ILS per year.

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.

- In this respect, In the absence of a definition of the term 'management and control' either in Israeli legislation or a direct discussion of this term by the Israeli courts, it may be difficult to determine whether a company that is incorporated outside of Israel shall be viewed as managed and controlled from Israel. This is a complex subject that needs to be addressed on a case-by-case basis. When an entity is both an Israeli tax resident and a resident of a foreign jurisdiction that is party to an income tax treaty with Israel, most tax treaties provide a tiebreaker test in the determination of an entity's tax residency.

"Wallet Company Regime"

A tax provision effectively lifts the corporate tax veil of a personal service company that meets the tax law definition of a 'minority company' that provides services to another company (the 'other company'). A 'minority company' is generally defined as a company that is directly or indirectly held or controlled by no more than five individuals (taking into account certain relatives). This provision is generally intended for situations when an individual in the minority company is providing officer or management type services to the other company. In such a case, the income shall not be taxed to the minority company but, rather, shall be taxed to the individual as employment income, business income, or other income, depending upon the circumstances. The employment income classification shall apply if 70% or more of the total income or taxable income of the minority company in the tax year is sourced from the services performed by the individual or the individual's relatives **during a period of at least 30 months during a four-year period** or if the individual's services performed for the other company are of the type that is performed in an employer-employee relationship.

TAX RATES

The taxable income of Israeli companies is subject to a company tax of 23% for the year 2023.

Dividends paid to Israeli individuals or foreign residents (both individuals and companies) are subject to withholding taxes of 25% (30% for shareholders holding 10% or above). 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.

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.

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 was subject to 10% tax on the accrued portion until then. The tax rate on real gains is 25–30% for individuals and 23% 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 25% for individuals and 23% for companies.

Gains made 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 exchanges under certain 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.

SALES OF ISRAELI STOCKS

Foreign resident have an exempt of tax at capital gain in the sale of shares of Israeli companies (traded on the stock exchange in Israel or privately held) by having an under certain conditions

SALES OF APARTMENT

Foreign residents are not entitled to an exemption, unless the apartment being sold in Israel is their only apartment (in Israel and in their country of residence) and they bring approval from the tax authorities in their country of residence.

Even if the foreign resident is not entitled to exemption from capital gains tax (on the sale of an apartment or house), It will be subject to linear tax calculation. The appreciation tax according to linear calculation is lower than the full appreciation tax (paid by those who are not entitled to linear calculation).

The linear calculation: calculate the period in which the apartment was owned by the seller and divide it into two: the time period from the purchase of the apartment until 12/31/2013 and from 1/1/2014 until the day of sale.

For the first time period there is an exemption from appreciation tax.

For the second time period, a 25% appreciation tax is paid.

As of January 1, 2018, there will be no limit regarding the number of transactions for the sale of an apartment or house using the linear calculation.

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 on 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 17%.

Some transactions are subject to VAT at a 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

Financial institutions (banks and insurance companies) pay a 17% payroll and profit tax instead of VAT. Approved not-for-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.

Current rates of national insurance for employees, including health insurance and contributions, as of 1 January 2023, in NIS:

	Up to 7,122 NIS	7,122-47,465 NIS
	monthly salary	monthly salary
Employee's share	3.5%	12%
Employer's share	3.55%	7.6%

For non-resident employees, the employer rates are significantly lower and are 0.59%, up to monthly income of 7,122 NIS, and 2.65% on the difference between 6,331 NIS and the maximum monthly income of 47,465 NIS.

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 0–10%
- Other 6%.

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.

CUSTOMS DUTY

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

PURCHASE TAX

Property taxes are generally imposed on the occupier of commercial and residential real property.

MUNICIPAL TAX

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

SPECIAL TAX FREE ZONES

EILAT FREE TRADE ZONE

Companies doing business in the city of Eilat or residing there are exempt from VAT. Individuals residing there 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 a number of countries. The following table summarises withholding tax rates on dividends, interest and royalties in accordance with various tax treaties.

TABLE 2

Withholding tax rates on dividends, interests and royalties

	DIVIDENDS (%)	INTERESTS (%)	ROYALTIES (%)
Non-treaty countries	25	25	25
Armenia	5/15	10	5/10
Austria	0/10	5	0
Azerbaijan	15	10	5/10
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	5/15	10	10
Croatia	5/10/15	5/10	5
Czech Republic	15/5	10/0	5
Denmark	0/10	5	0
Estonia	0/5	5	0
Ethiopia	5/10/15	5/10	5
Finland	15/10/5	10	10
France	15/10/5	10/5	10
Georgia	5	5/0	0
Germany	5/10	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
Latvia	5/10/15	5/10	5
Lithuania	5/10/15	0/10	5/10
Luxembourg	5/10/15	5/10	5
(FYROM) Macedonia	5/15	10	5
Malta	0/15	5	0
Mexico	5/10	10	10
Moldova	5/10	5	5
Netherlands	15/10/5	15/10	5/10
Norway	25	25	10
Panama	5/15/20	15	15
People's Republic of China	10	7/10	10
Philippines	15/10	10	Up to 15
Poland	5/10	5	5/10
Portugal	5/10/15	10	10
Romania	15	10/5	10
Russia	10	10/0	10
Singapore	5/10	7	5
Slovakia	5/10	2/5/10	10
Slovenia	15	15	15
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	5/10/15	5/10	5
Taiwan	10	7/10	10
Thailand	10/15	10/15	5/15
Turkey	10	10/0	10
Ukraine	5/10/15	5/10	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
Vietnam	10	10	5/7.5/15
UAE	0/5/15	5/10	12

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 which provides a wide range of banking, financial and credit services.

The following features characterise the system:

- A high degree of market concentration, with two major banking groups accounting for approximately 60% of the total assets of 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) which 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 exports and imports.

INVESTMENT/MERCHANT BANKING

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

According to the commercial banks' legislation, they 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 (TASE), established in 1953, is the trading place for securities issued by public companies and government bonds. About 643 companies are listed.

During recent years, a variety of investment tools have been adopted in the TASE, which include securities and government bonds, shares, options, derivatives, mutual funds, bonds and exchange-traded funds (ETFs). These market securities are traded daily. It is estimated that the daily trade volume of shares amounts to ILS 2,000 million.

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 entails 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 consumer price index (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 the 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. 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 using 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 the authorities (IRS, Prohibition of Money Laundering task force) of the identification of the person or company requesting services such as investing money, the opening of 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 Generally Accepted Accounting Principles (GAAP) with IFRS.

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

- Since 1 January 2004, 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 the 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
- Treatment and presentation of subsequent events
- Accounting principles of not-for-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 the 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 Israeli GAAP, IFRS or US GAAP.

In performing the audit, the auditor must comply with the standards which 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.

CRS REGULATIONS

New Israeli Income Tax Regulations, which were officially published on 6 February 2019 (the "Regulations"), implement the Common Standard on Reporting and Due Diligence for Financial Account Information ("CRS"), which was developed by the OECD.

Under the Regulations, Israeli financial institutions are required to report to the Israeli Tax Authority annually concerning international residents with financial accounts in Israel. The definition of the term "Financial Institution" is very broad, and includes banks, investment funds, investment managers and brokers, entities which hold or manage financial assets on behalf of others, as well as certain insurance companies.

The Regulations impose a retroactive reporting obligation regarding financial accounts. The information on accounts existing in 2017 is to be reported no later than 23 June 2019. Information on accounts existing in 2018 shall be reported no later than 8 September 2019.

Detailed rules apply.

US Foreign Account Tax Compliance Act (FATCA) in Israel

A Model Reciprocal Intergovernmental Agreement (IGA) was signed by Israel and the United States on 30 June 2014 and was ratified on 12 July 2016. The IGA took effect on 4 August 2017, once the Ministry of Finance published the relevant tax code regulations. The IGA provides clarity around the implementation of FATCA for the financial institutions and investment entities resident in Israel.

In addition, the Israeli Tax Authority released FATCA Guidance in May 2017.

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8 – UHY REPRESENTATION IN ISRAEL



UHY SHTAINMETZ-AMINOACH & CO CPAS ISRAEL



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Email: k@cpa.co.il

SOCIAL MEDIA CONNECTIONS

- Facebook: www.facebook.com/cpa.co.il
- YouTube: https://www.youtube.com/channel/UCmCWxkqUXLI4WMAae9tq2Vw?view_as=subscriber

Year established: 1987
PCAOB registered?: Yes
Number of partners: 13
Total staff: 218

BRIEF DESCRIPTION OF FIRM

UHY Shtainmetz Aminoach ranks as one of Israel's leading and largest accounting firms. The Firm ranked 7th amongst accounting firms in Israel. With about 285 employees, spearheaded by 15 partners, the Firm provides comprehensive accounting services for more than 4,000 Israeli companies and representatives of overseas firms, among them subsidiaries of the largest conglomerates and holding companies in Israel.

Members of the Firm many of whom hold both Public Accounting and Advocate licensure; use their vast knowledge and expertise to provide professional accounting and taxation services. These services include accounting and auditing services, domestic as well as international tax planning, assistance with Israeli voluntary disclosures, and obtaining pre-tax rulings and U.S. tax compliance and consulting.

The Firm specializes in taxation. Its partner members include numerous veterans of the Israeli Tax Authority, who use their experience and knowledge to provide tax planning and financial management on both the domestic and international levels.

UHY Shtainmetz Aminoach is one of the few C.P.A. firms in Israel, with U.S. PCAOB approval, enabling the firm to provide auditing services to, and submit financial statements on behalf of, companies and their subsidiaries whose shares are publically traded on the NASDAQ stock exchange.

SERVICE AREAS

Accounting and Auditing
Tax Planning and Consulting
Internal Auditing
Tax Audits; Voluntary Disclosure and Representation
Taxation of Pensions



The network
for doing
business



SPECIALIST SERVICE AREAS

Obtaining Tax pre-rulings in various areas of taxation
International Taxation and Planning
U.S. Taxation Compliance and Consultation; individual, partnership and corporate
Relocation Consulting
Expertise in Servicing Large and Hi-Tech Corporations
Pension Funds

PRINCIPAL OPERATING SECTORS

E-commerce
High-Tech
Public Companies
Real Estate
Industry
Trade & Services
Law Offices

LANGUAGES

Hebrew, English.

CURRENT PRINCIPAL CLIENTS

OPAL BALANCE INVESTMENTS LTD
ROCHE PHARMACEUTICALS (ISRAEL) LTD.
YAAZ BUILDING & DEVELOPMENT CO. LTD
A. WEISS BUILDING & SUPERVISION LTD.
TRELLIDOR FOLDING BARS 1991 LTD
P.L.T. FINANCIAL SERVICES LTD
Tiv Textile Group (1969) plc
Aviv Advanced Solutions plc
Go.D.M Investments plc
Iforex Ltd
Sub Chrono Ltd

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

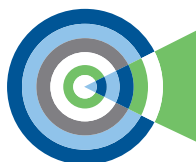
Bulgaria, UK, USA, Australia, Ukraine, Belgium, Italy, Romania, Denmark, Singapore, Spain, Switzerland, Brazil, Germany, Cyprus, India, Czech, France, Malta, China.

BRIEF HISTORY OF FIRM

The Firm was established in 1987 as Shtainmetz Aminoach & Co. by Kobi Shtainmetz, a C.P.A. and Advocate, and Reem Aminoach, a C.P.A. , to combine their years of experience in taxation, auditing, banking, investments and management.

Around the year 2000, with the firm's strong growth, Ehud Avrahami, C.P.A. joined the Firm as a partner. Ehud was formerly employed by the Israel Income Tax Authority and the firm, KPMG. Due to the Firm's continued growth, the Firm added two more partners:

- Shmulik Hirshfeld, a C.P.A. and Advocate, whose accounting and law experience includes working at KPMG Somech Haikin, and Gornitzky & Co., and
- Ofer Cheredman, C.P.A. and L.L.B. Ofer is a former senior manager at the Israel Income Tax Authority and specializes in





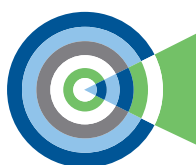
international taxation, mergers and divestitures.

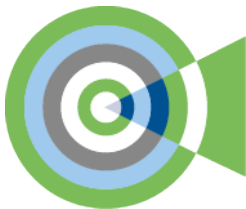
During 2010-2011, three more partners joined UHY Shtainmetz Aminoach. Aharon Michaely, C.P.A. and Certified Information Systems Auditor (CISA); Orit Rubin-Mendelson, a C.P.A. and Advocate who has lectured extensively at Tel Aviv University on the subjects of statistics, taxation and foreign trusts; and Moshik Tal, a former Vice President in the Israel Tax Authority and a lecturer in the field at both Bar Ilan University and Hebrew University.

The firm's Pension and Provident Fund Taxation Manual authored by Kobi Ittah and Kobi Shtainmetz is a reflection of the Firm's strong professional capabilities and ability to serve insurance companies, banks and large corporations in the field of pension tax consulting.

Kobi Ittah, whose specific background includes managing some of the largest pension funds in Israel, Clal and Atudot, is a renowned expert in the field of Pension and Provident Funds. The manual contains 700 pages, and is regularly updated. It covers all aspects of laws, interpretations and judicial opinions related to pension taxation. Over one thousand copies have been sold to all the insurance companies, large insurance agencies, banks, law officers and other C.P.A firms. In addition, the Income Tax Authority has also purchased tens of copies for its own use. The manual is available in both printed and digital formats.

Since then, our office has grown and evolved. Many customers were added and of course, partners as well. Today, we have 15 partners who handle more than 4,500 leading companies in a variety of fields in the Israeli economy.





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