







## ABOUT ISRAEL

Located at the eastern end of the Mediterranean Sea, Israel officially known as State of Israel or Hebrew Medinat Yisrael. The State of Israel is the only Jewish nation in the modern period, and the region that now falls within its borders has a lengthy and rich history that dates from prebiblical times. The goals of Israel's economic policy are continued growth and the further integration of the country's economy into world markets. In Israel, a plant in Haifa produces potassium nitrate and phosphoric acid for both local consumption and export. High-technology products led the list of exports, and Israel sells fruit (including citrus), vegetables, and flowers throughout Europe during the off-season. Its biggest trade partners are the U.S. and China. Israel has some producing oil wells but continues to import most of its petroleum. Israel has free trade agreements with the European Union and the United States and is a member of the World Trade Organization. These agreements and Israel's many industrial and scientific innovations have allowed the country to trade successfully despite its lack of access to regional markets in the Middle East.

The country obtained large amounts of capital, which included gifts from world Jewry, reparations from the Federal Republic of Germany for Nazi crimes, grants-in-aid from the U.S. government, and capital brought in by immigrants. Israel has supplemented these forms of revenue with loans, commercial credits, and foreign investment. There are many benefits to setting up a business in Israel.

### Economy

Israel is one of the most robust and technologically advanced market economies in the world. The country enjoys a skilled and highly qualified labour force, and a concentration of venture capital allows the country to lead in all areas high-tech.

### Dominant Industries

Israel is an industrialized country. Its manufacturing is primarily based on intensive and sophisticated research and development and high-tech tools, processes, and machinery. Dominant fields include industry, hi-tech, agriculture, construction and infrastructure, and diamonds.

### Population and Language

The most common spoken languages are Hebrew, English and Arabic, with most commercial transactions negotiated and documented in English.

### Business Culture

Israel is a common law country. Israelis feel their freedom to act is determined by what is permissive under law. Contracts form the basis of the Israeli business environment, and as Israeli contract laws applies to any commercial engagement, even during early negotiation stages, it should be considered prior to initiating or forming any business relationship in Israel.

### Legal System

The Israeli legal system is based on common law but also includes elements of civil law. Israel does not have a formal constitution. However, certain basic laws are considered to form the backbone of its legal framework and jurisprudence. Israel is a small country, and as such does not have a federal system or a jury system.

### Foreign Investment

Israel is open to and seeks to attract foreign investment. Accordingly, there are generally no limitations on foreign ownership of Israeli companies and assets. The only exceptions to this general rule apply to:

- Foreign entities that have connections with certain hostile nations.
- Target corporations that hold certain control permits that must be issued by the state.

### Member

Israel is a member of the Organisation for Economic Co-operation and Development (OECD). Therefore, Israel is subject to broad legislation regarding anti-money laundering and terror financing as well as laws forbidding trade with "terrorist organisations".

### Individual Income Taxes

Israeli tax residents are taxable on their worldwide income. In Israel, non-resident individuals are subject to income tax on Israeli-source income and to capital gains tax on capital gains from assets situated in Israel.

To be continued .....

## SIMPLE TAX REGIME

### Income Tax Rate

Taxation of individuals is imposed in graduated rates ranging up to 50%. Non-residents are taxed at the same rates as Israeli residents. The annual tax brackets are an aggregation of the monthly brackets in force during the year, which are periodically updated for inflation. The annual bracket amounts, expressed in Israeli shekels, are as follows:

- Income from Israeli shekels (ILS) 0 to ILS 77,400 is liable to tax at a rate of 10%;
- Income from ILS 77,400 to ILS 110,880 is liable to tax at a rate of 14%;
- Income from ILS 110,880 to ILS 178,080 is liable to tax at a rate of 20%;
- Income from ILS 178,080 to ILS 247,440 is liable to tax at a rate of 31%;
- Income from ILS 247,440 to ILS 514,920 is liable to tax at a rate of 35%;
- Income from ILS 514,920 to ILS 663,240 is liable to tax at a rate of 47%;
- Income from ILS 663,240 and above is liable to tax at a rate of 50%;

### Local income taxes

There are no local taxes on income in Israel.

### Corporate Income Taxes

Israel-incorporated companies and foreign companies that have a branch presence in Israel are both subject to Israeli corporate tax. An Israeli-resident entity is subject to Israeli corporate tax on worldwide income while a non-resident entity is subject to Israeli corporate tax only on income accrued or derived in Israel. Income sourcing rules determine when income is to be considered from an Israeli source.

The corporate tax rate is 23%. Business operations qualifying under the Encouragement of Capital Investments Law are entitled to reduced rates of tax depending upon their location and other conditions.

### Local income taxes

Israel does not impose district or local taxes on corporate income.

Followings are the most common forms of business entities in Israel;

### Company

The Israeli Companies Ordinance (ICO) defines a company as a corporation formed and registered in Israel, in accordance with Israeli law.

It is necessary to register the company with the Companies Registrar. Most companies limit the personal liability of their members, usually in the form of shares. In this case, the term "Limited" (or the abbreviation "Ltd.") must appear as part of the full name of the company.

### Private or Public

A company may be registered as a "Private Company" or a "Public Company" with securities registered on a Stock Exchange. Both types of companies must present annual reports, including audited financial statements to their shareholders.

A private company, consisting of 1-50 shareholders, and one director, may not offer or sell debentures or shares to the public and its Articles of Incorporation must contain restrictions on the transferability of its shares.

A public company, with a minimum of 7 shareholders, may offer stock or debentures to the public, but only after issuing a prospectus in accordance with the requirements of the ICO and the Securities Law.

### Foreign Company

A company incorporated overseas may establish a branch or local office in Israel as long as it is registered as a foreign company with the Companies Registrar within a month of its establishment. To register, a foreign company must submit all the necessary documents to the Companies Registrar. There is no requirement to publish financial statements of a private company.

### Partnership

The Partnership Ordinance defines a partnership as an entity that consists of persons who contract to form a partnership. Personal liability of the partners is not limited unless they are limited partners of limited partnerships. A foreign partnership is also permitted to do business in Israel.

### Self-Employed

A self-employed person works entirely for himself and is entirely liable for the business.

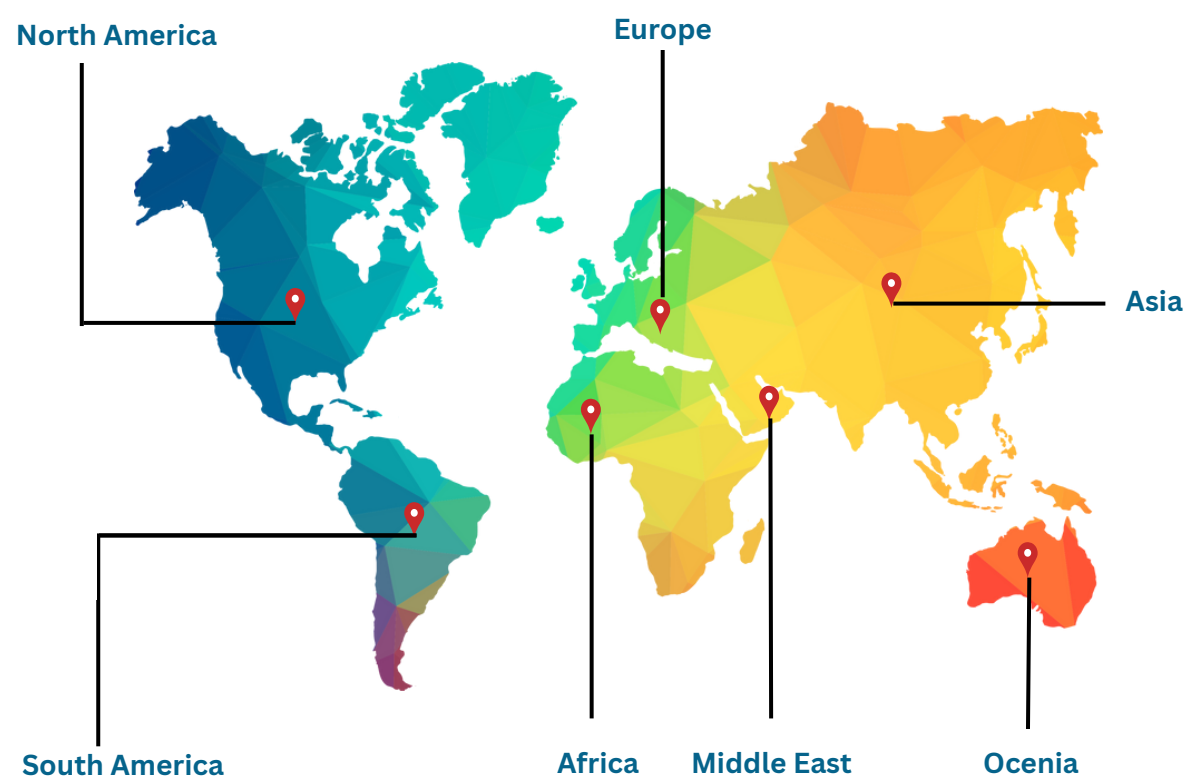
### Cooperative

This type of business entity is found mainly in the agricultural sector, (cooperatives such as a kibbutz or moshav), transportation businesses and certain types of marketing operations associated with agricultural products.

### Non-Profit Organizations (NPO)

These entities operate mainly as academic institutions, hospitals, charitable organizations, and municipalities. NPOs are subject to a special law dealing mainly with the formation of such organizations and the way they may operate as such.

## SERVING CLIENTS **WORLDWIDE**



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