



BROIDE & CO.
Certified Public Accountants (Isr.)



27th December, 2016

INCOME TAX ALERT

New amendments to Income Tax Law– effective January 1st, 2017.

[Only certain of the new changes are highlighted hereunder.]

- ❖ Shareholders' loan accounts will be taxed unless repaid within a year of the financial year end when such loans were taken or amounts withdrawn. This applies to shareholders who own at least 10% of the equity. Such amounts may be taxed as salaries or dividends, depending on the circumstances. This may be avoided by repayment by December 31, 2017.
- ❖ Dividends distributed by “material”(viz. 10% or more of equity) shareholders from accumulated profits at 31st December 2016 and paid between January-September 2017, will enjoy a reduced tax rate of 25% - (instead of 30% + the 3% surcharge). This is subject to certain restrictions to avoid abuse.
- ❖ Corporate tax will be 24% (currently 25%) in 2017, and reduced further to 23% in 2018. Taxes on individuals will be reduced for middle and upper middle income (earned) groups but the 2% surcharge on higher income has been increased from 2% to 3% and will now apply to annual income of NIS 640,000 or more.
- ❖ The new “apartment tax” of 1% (but not exceeding NIS 18,000 per annum) is effective as of 2017, applies to owners of 3 or more apartments and will be calculated on the apartments having the lowest value. Certain provisions of this law govern the definitions of ownership, reductions in the tax and tax benefits on the sale of the 3rd or additional apartments and where the sale proceeds are invested in a special pension/provident funds.
Hopefully further clarifications from the ITA will follow.

DO NOTE – TAX PLANNING IS NOW!

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