

INPATRIATES Israel

Tax facts for International Assignees



INCOME TAX: WHO IS LIABLE/RESIDENCY

According to Section 1 of the Israeli Tax Ordinance ("ITO"), an individual is deemed to be a resident of Israel for tax purposes if his "center of life" is in Israel. In order to determine where an Individual's "center of life", all his ties to Israel, including inter alia, his family, economic and social ties shall be taken into consideration. These ties include, inter alia, the following:

- The place of his permanent home;
- His and his family's place of residence;
- His regular or permanent place of business or the place of his permanent employment;
- The place of his active and substantive economic interests;
- The place of his activity in organizations, societies and various institutions.

In addition, it is assumed that an individual's life is centered in Israel in a given tax year if:

- He spent 183 or more days in Israel in the tax year; or
- He spent 30 days or more in Israel in the tax year and the total period of his stay in Israel in the tax year and the two years prior, was 425 days or more.

These assumptions may be refuted by both the individual and by the assessing officer.

Foreign residents temporarily present in Israel are subject to tax on their Israeli-sourced income, including employment income. Various tax benefits are granted to certain individuals, such as, new immigrants & returning residents, "foreign experts", foreign journalists and athletes and more.

Individuals must file annual personal tax returns by April 30th. Individuals whose main income is from employment income are generally exempt from filing a tax return if the employment income does not exceed approximately 663,240 NIS.

INCOME TAX RATES AND SOCIAL SECURITY CONTRIBUTIONS

INCOME TAX RATES

Tax rate	Income (in NIS)
10%	1 - 77,400
14%	77,401 - 110,880
20%	110,881 - 178,080
31%	178,081 - 247,440
35%	247,441 - 514,920
47%	514,921 - 663,240
50%	over 663,241

SOCIAL TAX RATES

The maximum taxable earnings amount for social security is 45,075 NIS per month.

Employer: 3.55% for monthly income of up to 6,331 NIS, 7.6% on the excess up to 45,075 NIS.

Employee: 0.4% for monthly income of up to 6,331 NIS, 7% on the excess up to 45,075 NIS.

Self employed: 2.87% for monthly income of up to 6,331 NIS, 12.83% on the excess up to 45,075 NIS.

Additionally, there is a Medicare Hospital Insurance tax that is charged on earned income:

Employee: 3.1% for monthly income of up to 6,331 NIS, 5% on the excess up to 45,075 NIS.

Self employed: 3.1% for monthly income of up to 6,331 NIS, 5% on the excess up to 45,075 NIS.

Foreign resident individuals may be subject to lower social security rates, if his/her country of residence is a treaty country with Israel.

Additionally, where Israel has entered into a Social Contributions Agreement with the resident country of an Individual who remains employed by a company from that country, he/she may be exempt from Israel social taxes. In order to utilize this exemption, he/she should obtain a Certificate of Coverage from the home country.

For further information and to register for future updates contact expat@bdo.global

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