

# **Personal Finance Strategies**

**By Philip Braude**

## **Proposed Tax Laws for new residents in Israel**

For the past few years, I have been actively dealing with structuring the financial affairs of prospective olim, and have considered that the current Israeli tax legislation accords near tax haven status to new immigrants (olim chadashim), as it accords them various tax exemptions, such as a 5 year exemption on investment income, a 10 year exemption on capital gains from overseas assets, a 4 year exemption on income from their overseas business which was owned for 5 years before assuming residence & a 20 year exemption on foreign currency deposits held in an Israeli bank.

In a recent press-release co-signed by the Israeli Finance Minister & Immigration Minister, a series of tax breaks designed to encourage immigration to Israel was announced. These proposals were meant to be enacted into law by Yom Haatzmaut, but unfortunately it is still winding its way through the Knesset, and is still not law.

Under the old law, to obtain either the 5 year investment income tax exemption, or the 10 year capital gains tax exemption, the specific assets needed to be held outside of Israel by the new Israeli resident before his arrival in Israel. The intention of the proposed amendment is for the exemption to apply to all the new resident's overseas affairs for the extended 10 year period, without the limitation of the exemption only applying to pre-owned assets. Unfortunately the proposals seem to contain many gaps, as it appears that overseas pensions and retirement plans, overseas trusts & bituach leumi issues have not been addressed in the proposed new law. In addition, the situation where a new oleh earns income from overseas, but performs the services in Israel, will not benefit from these new proposals. I fear that this might encourage many breadwinners to leave their families behind in Israel, while they continue their old jobs and business's in their home country, and could cause social problems with the families left behind.

The proposals are certainly good news for prospective olim, but until the law is passed and there is certainty in the matter, caution is advised when planning one's financial affairs before making aliya.

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