

Israeli Tax Authorities issue revised voluntary disclosure rules

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The Israeli Tax Authorities ("ITA") have recently been very active in its efforts to detect tax evaders and unreported global income of Israeli tax residents. On the 7th of September a New Voluntary Disclosure Program, replacing the previous program, went into effect.

REVISED TAX AMNESTY ARRANGEMENT PUBLISHED AND IN EFFECT

A first amnesty arrangement in Israel was issued in 2005. It mainly waived criminal pursuit for those who would come forward voluntarily.

An expanded and more beneficial transition package was issued in 2011 - to which in 2012 were added acquittal of interest and linkage debts (regarding the backlog tax on the undisclosed income). This attractive transition package expired on September 27, 2012. After that date, the regular arrangement of 2005 continued to apply.

Now, on the 7 September 2014, the tax authorities issued a new general voluntary disclosure arrangement, effective from same date and ending on the 31st of December 2016. The new arrangement replaces the 2005 arrangement. The new procedure also covers indirect taxes (e.g. VAT, import duties, and real property transfer taxes).

In addition, a transition package has been put in effect starting 7 September 2014.

The transitory package allows for the filing of an initial application for voluntary disclosure on an anonymous basis (i.e. the taxpayer's identity is disclosed only upon approval of the application). Anonymous applications may be submitted until 6 September 2015.

Losses incurred, exclusively during disclosure years, may be offset.

The transition procedure includes an expedient track for 'modest taxpayers' i.e. taxpayers who have an unreported capital not exceeding NIS 2 million, while the taxable income flowing from same capital is less than 0.5 million NIS. It is not possible to file an application anonymously for the simplified procedure.

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