

# Head of Deutsche Bank Israel Detained on Suspicion of VAT Offenses


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The chief executive of Deutsche Bank's operations in Israel was arrested February 7 on suspicion of violating VAT law by reporting some transactions as being zero-rated because they were conducted on behalf of foreign residents while the Israel Tax Authority (ITA) said the customers were actually residents of the country.

The ITA said in a statement  that Boaz Aharon Schwartz of Deutsche Bank was detained and then released "under restrictive conditions" after a search of the offices of Deutsche Securities Israel Ltd. and Deutsche Global Markets in connection with allegedly illegal transactions totaling more than ILS 550 million (around \$147 million). During the search, authorities seized various documents, computers, and mobile phones and interrogated Deutsche Bank executives, which the ITA said "strengthened the suspicions" about the companies' activities.

Deutsche Bank said in a statement that it acts in accordance both with the law and with strict legal advice, and that it has been cooperating with the tax authority in its inquiry.

While the ITA didn't provide specifics of the alleged offenses, Moti Eilon of Shekel & Co. said the transactions in question appear to involve services related to the purchase and sale of securities. "The main question in this regard is whether the services were provided to foreign entities -- investment houses located outside of Israel -- or to Israeli investors," Eilon said in an email. "I don't think that the question at hand can be regarded as a criminal issue."

Harel Perlmutter of Barnea & Co. said that while the few facts that have been released so far make it difficult to come to conclusions about the case, it is often difficult to determine whether someone is a foreign tax resident. "The definitions under the law for residency may be interpreted in different ways," he said.

Perlmutter said an individual found guilty of tax evasion can be sentenced to up to seven years in prison, with additional time possible if money laundering is involved. The bank could be subject to fines of ILS 1.1 million for each offense, Perlmutter said.

## DOCUMENT ATTRIBUTES

JURISDICTIONS

ISRAEL

SUBJECT AREAS

CRIMINAL VIOLATIONS FINANCIAL INSTITUTIONS  
FINANCIAL PRODUCTS AND BANKING RESIDENCY

TAX AVOIDANCE AND EVASION VALUE ADDED TAX

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