



Legal Update

September 2017

Tax Department

Instances Whereby Transfer of Funds to Foreign Residents will be Exempt from Tax Withholding

Dear Clients and Colleagues,

The Israeli Tax Authority ("ITA"), on September 26, 2017, published a list of instances whereby transfer of funds, through banking corporations, to foreign residents will be exempt from tax withholding.

In order to make it easier for Israeli residents who invest in assets abroad, the ITA will allow, in specific cases, as detailed below, that the transfer of funds to foreign residents will be exempt from tax withholding (and will not be required to receive specific advance authorization from the ITA), provided that the payor completes and signs a Form (the banking corporation will keep the form and may be required to submit it to the ITA upon request).

In order to be entitled to benefit from the tax withholding exemption, the following conditions apply:

(A) The payment is to a resident of a treaty country (a country with which Israel has a double taxation treaty) and to a bank account in the treaty country.

(B) The payment is being made for one of the following:

- Investment in shares of a legal entity
- Investment in real-estate outside of Israel
- Investment in other assets outside of Israel (only tangible assets)
- Provision of a loan to a foreign resident
- Provision of a shareholder loan to a legal entity

Sincerely,

Tax Department
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