



The Interim Report of the Committee on Promotion of Publicly Traded Infrastructure Investment Funds

On May 4, 2014, an inter-ministerial committee was set up to promote the establishment of publicly traded funds for investment in infrastructure. The committee was formed to examine and recommend measures and actions that would encourage the establishment of traded infrastructure funds in order to increase the availability of financing sources for infrastructure projects, reduce their costs of finances and enable small investors to directly participate and own these projects. To that end, the committee recommended certain tax benefits and restrictions as outlined below.

Founders and investors should consult with an Israeli tax specialist when contemplating the formation of, or investment in, such traded infrastructure funds.

The Tax and Corporate Governance Model. The committee generally recommends adopting a real estate investment trust (REIT) based model whereby there is only one level of taxation – taxation of the fund's shareholders, notwithstanding the fact that the fund shall be formed as an Israeli corporation. The classification and calculation of the fund's income, however, will be determined at the fund's level. The proposed corporate governance model of the fund is also based on the REIT model, i.e., a fund with no controlling shareholder, applying the "5 or fewer" rule which limits the aggregate holdings of the 5 largest shareholders to less than 50%.

Pension Funds and Non-Israeli Investors. It is proposed to generally exempt pension funds from their fund's income, regardless of the nature and classification of such income by the fund. With respect to non-Israeli investors, it is proposed that ongoing income from the fund will be subject to tax in Israel but will not create filing obligations.

Assets Contribution in Exchange for Fund's Shares. The committee has proposed that, in general, a contribution of assets to the fund in exchange for the fund's shares will benefit the fund with a reduced purchase tax rate, and the contributor with a deferral with respect to its capital gains.

Offsetting Tax Losses and Foreign Tax Credits. Certain restrictions were proposed with respect to offsetting the fund's losses and with respect to foreign tax credits.

For the full report (in Hebrew), [click here](#).

Sincerely,
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