

Law for the Reduction of Cash Use introduced

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Introduction

Restriction on use of cash

Restriction on use of cheques

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On 18 March 2018 Parliament enacted the Law for the Reduction of Cash Use (5778/2018), which came into force on 1 January 2019.⁽¹⁾

The law imposes certain restrictions on the use of cash and cheques that do not name the payee. It aims to reduce cash transactions in an effort to fight financial crime and money laundering and foster the use of more modern and efficient payment methods.

The law distinguishes between transactions to which a business selling products or providing services in the ordinary course of its business is party and transactions between private parties.

Violation of the law may constitute a criminal offence, resulting in financial penalties and imprisonment.

Restriction on use of cash

The Law for the Reduction of Cash Use has introduced the following thresholds on cash transactions:

- NIS11,000 for businesses; and
- NIS50,000 for private persons.

Where the value of a transaction is greater than the above thresholds, the cash portion thereof cannot exceed 10% of the transaction value (up to the above thresholds). For example, the purchase of a product from a business (eg, a store) for NIS10,000 may be made in cash; however, payment for a NIS12,000 product purchased from a business may include only a cash portion of up to NIS1,200 (ie, 10% of NIS12,000).

The transaction value is the gross value (including value added tax). The prohibition on cash payments also applies to salaries, donations and loans, as well as gifts in excess of NIS50,000.

The above restrictions do not apply to cash payments between family relatives (except for salaries) or the other exceptions set out in the law.

The threshold for a cash payment from or to a business by or from a tourist is NIS55,000.

Restriction on use of cheques

The Law for the Reduction of Cash Use prohibits payment to businesses by cheques that do not state the payee's name regardless of the amount and to private persons for any amount greater than NIS5,000.

Cheque endorsements must include the name and ID number of the endorsing party.

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The Tax Authority is in charge of enforcing the new law. Violations may result in financial penalties while the fraudulent split of a transaction, salary, donation, loan or gift to circumvent the above thresholds is punishable by up to three years imprisonment.

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Endnotes

(1) The Money Laundering and Terror Financing Prohibition Authority's publication (in Hebrew and including a link to the text of the Law for the Reduction of Cash Use) can be found [here](#).

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