

## Bits & Briefs

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In our "Bits & Briefs" Special Series dedicated to **Israeli Labor and Employment Law**, we provide periodic bite-sized updates introducing key provisions of Israeli labor law and their practical implications, particularly from the perspective of businesses looking to operate in, or expand to, Israel. In this update we will cover some of the basic rights granted to employees in Israel regarding "non-fixed" compensation payments.

### Non-fixed payments

Israeli employment laws establish various components of an employee's salary, including base salary and non-fixed payments.

**Bit #1:** Israeli labor courts have distinguished between a "commission", which may constitute the main part of employee's salary and is paid on account of personal output and thus is deemed part of the base salary, and a "bonus", which constitutes an addition to the base salary and generally is not deemed a part thereof.

**Bit #2:** Incentive compensation may be deemed part of an employee's base salary even if it does not appear to be, on its face, commission. In any event, the issue must be considered based on the facts and circumstances of each individual case.

**Bit #3:** In order to determine whether a particular incentive payment will be classified as a commission and included as part of the base salary, or alternatively, as compensation considered to be an addition or a supplement to a base salary, such as a bonus, the labor courts have set guidelines based on various principles, including conditions and circumstances of incentive payment, sales target achievement, payment timing, consistency and proportion to the overall payments paid to an employee.

### Practical Implications:

The classification of an incentive payment as part of an employee's base salary or alternatively a supplement to the base salary may affect the employee's pension insurance, severance pay, vacation pay and sick pay.

**We are happy to assist you in providing legal advice in relation to each of these issues, their ramifications for the workplace and the practical steps that may be taken as a result.**

Sincerely,

**Fischer Behar Chen Well Orion & Co.**

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