

Proposed tax legislation in Israel aimed at generating immigration

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MONTREAL – With the hope of

sparkling a wave of immigration during the year-long celebration of Israel's 60th birthday, Israel's finance and immigration ministries have asked that Israel's Tax Authority draft legislation to make moving to Israel more financially attractive.

The proposed legislation, which experts hope will simplify the financial aspect of the immigration process, is currently making its way through the Knesset. Last week hundreds of interested Canadians sat through sessions in both Toronto and Montreal to hear about it.

Under the new law, new immigrants or *Olim*, as well as native Israelis returning to Israel, will be given a 10-year exemption on tax and reporting on assets and all types of income that are derived from outside of Israel. This includes income from interest and dividends based in their former country or elsewhere, salaries and work income, corporate income and capital gains on the sale of assets abroad.

Additionally, new immigrants

can request a one-year period from their arrival in Israel where they can choose not to be considered Israeli residents for income tax purposes.

Under the current law, the tax exemption on passive income stands at five years, while that on corporate income, occupation and salary is four years for a business that the immigrant had for a minimum of five years before moving to Israel. Moreover, the 12-month grace period of deferring resident status did not exist.



Philip Braude, CEO of Anglo Capital Limited in Ramat Bet Shemesh, explained the implications of Israel's proposed new tax legislation, which should help increase immigration to Israel.

According to Philip Braude, CEO of Anglo Capital Limited in Ramat Bet Shemesh, who assists Olim and their families on pre-Aliyah financial planning, the proposed legislation should pave the way for a substantial increase in immigration. "They're trying to encourage both Olim and returning residents," said Braude. "Before this law, there were waves of immigration coming [to Israel].

There are a few factors that are driving Aliyah [in North America] today.

"[For example] it's too expensive to pay for school fees, and the retirement options are apparently far superior in Israel and far more affordable, and unfortunately, there is anti-Semitism all over the place." For Braude, whose firm works with CIBC Wood Gundy in Canada to assist in the financial planning of immigrants, these proposed reforms are much needed, as even for experts, the current legislation is baffling. "I can summarize it in one word – *balagan*," he said. "[For example] there is a double tax agreement between Canada and Israel, which stipulates that you should only pay taxes in one of the countries. However, often there is a misalignment. For example, an RRSP, from a Canadian perspective, is a tax deferred vehicle until you retire. However, Israel says they do not recognize such a thing. So if you're paying taxes now when you're 30 and you have to pay again when you're 65, the double tax agreement is only you on-you. If things are not correctly structured, it can be a disaster."

Even with the new legislation, Braude does not believe that new immigrants are going to base their decision to immigrate solely on the financial benefits. [With the financial benefits and] the various assistance programs offered by the Jewish Agency for Israel, the

overall package offered by Israel is quickly becoming quite attractive. “Younger, older, religious, non-religious, retirees, people from across the spectrum [are coming] and there are many benefits that encourage more people to come,” said Braude.

“You shouldn’t be coming for a tax reason. Once people make a quality of life decision that they want to be in Israel rather than here, then they have to be properly structured from a tax perspective.”

Naomi Holzer, the regional director for the Jewish Agency in Montreal, Ottawa and Eastern Canada, agrees with Braude and knows that at least in her region, even before the proposed new incentives were announced, there was a strong interest in immigration, and she hopes that it will only increase.

“The Montreal community is a very Zionist community and there is a lot of interest in making aliyah. We are happy to have the opportunity to [present the new reforms] as there are people who are very interested [in immigrating],” said Holzer.

“[Now that] there are more benefits, [I hope] more people will come.”

Although the new reforms are not yet official, according to Braude, once they have been announced to the public, they cannot be repealed.

For more information on the new tax legislation, contact Philip Braude at www.anglocapital.com or your regional office of the Jewish Agency for Israel at www.jewishagency.org.