

Personal Finance Strategies

By Philip Braude

Toshav Chozer

Last week I had the privilege of being an invited guest of the Jewish Agency and addressing the Aliya Seminars held in Montreal & Toronto, Canada. This followed my trip last month, where I addressed similar audiences in Manchester & London in the UK. I was able to meet many potential olim and toshavim chozrim (returning residents), and assist them in pre-aliya financial planning. It is heartwarming to see how many people from Western countries are contemplating moving to our shores.

An area of concern, which I have now encountered many times, is trying to advise toshavim chozrim in structuring their financial affairs prior to arriving back in Israel, as they have to maneuver a maze of legislation and bureaucratic government departments. Applying the old adage “forewarned is forearmed”, I am setting out the issues faced by these returnees, in an attempt to help them identify the issues, and (hopefully) successfully navigate the system home.

The issue arises as to what is the definition of a “toshav chozer” / returning resident. Each different government office has its own definition, with resulting ramifications of meeting the specific definition:

Definition 1

The first port of call will be the aliya shaliach in home country. The minute the applicant is not defined as an oleh chadash (rather being someone who had resided in Israel before : toshav chozer, ezrach oleh, oleh basheni, katin chozer etc) the aliya shaliach is not empowered to assist. The applicant is often referred to the Israeli Embassy, which offers little assistance, as dealing with personal affairs does not fall within their ambit of Press Office, Public Affairs, Trade & Commercial, Cultural, Consular, Economics & Defense.

Definition 2

According to Misrad Haklita – Ministry of Absorption, the definition, which is based on an internal “nohal” / memorandum, a toshav chozer is defined as someone who was absent from Israel for a minimum period of 2 years. If he can prove that, then he can obtain a certificate as to his status as a toshav chozer, and be eligible for certain benefits (such as the refund of the bituach bruit-health insurance reinstatement payments).

Definitions 3 & 4

Meches / Customs Authority will provide certain benefits to returning residents should they have resided out of Israel for a period of over 2 years, and additional benefits if they have resided out of Israel for a period of over 6 years.

Definitions 5

Under the current Israeli Tax laws, a previous resident who had been out of Israel for at least 3 years, can obtain tax exemptions similar to an oleh chadash, such as 5 years tax free interest on foreign currency deposits in an Israeli bank, 5 years exemption on income generated on assets held outside of Israel and owned at date of resumption of residency, and a 10 year exemption on capital gains generated on assets held outside of Israel and owned at date of resumption of residency.

Definitions 6,7,8,9 & 10

Recently, there have been press releases issued by the Israeli Tax Authority in association with the Ministry of Absorption & Finance Ministry announcing proposed changes to the Tax Laws to promote Aliya and a return of former Israelis, in honor of the 60th Yom Ha'atzmaut celebrations. These proposed changes would grant enhanced benefits to new & returning residents. (Note

additional details of these changes are contained on Anglo Capital's website : www.anglocapital.com) Unfortunately, these proposals are not yet legislation, and many prospective immigrants are nervous to commit themselves until there is clarity in this matter. In terms of these proposals, the definitions of a "toshav chozer" will be further complicated, as follows:

- < 3 years out of Israel :- No tax benefits
- In 2008 / 2009 : > 3 < 5 years out of Israel :- Current tax benefits as detailed in Definition 5 above.
- In 2008 / 2009 : > 5 years out of Israel :- Proposed enhanced tax benefits.
- From 2010 : > 3 < 10 years out of Israel :- Current tax benefits as detailed in Definition 5 above.
- From 2010 : > 10 years out of Israel :- Proposed enhanced tax benefits.

My standard advice to prospective immigrants to Israel is to ensure that one's personal & financial affairs are correctly structured before arrival in Israel.

Philip Braude is an accountant, personal financial planner and licensed investment marketer. He is CEO of Anglo Capital Limited. He can be contacted on pbraude@anglocapital.com