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The Medingo Roche Case: The District Court Dismissed the Israel Tax Authority's Argument of the Sale of "FAR" Following a Business Restructuring

Client Updates

Partners **Daniel Paserman** (CPA), Head of Tax, **Shlomo Aviad Zider**, and **Shirin Gabbay-Metzger**, together with Adv. (CPA) **Moran Ben Dayan**, review in this client update the decision of the Tel Aviv District Court published last Monday (The Honorable Judge Yardena Seroussi) to accept the tax appeal filed by our firm in the case of Medingo Ltd., a subsidiary of Hoffman La Roche, one of the world's leading healthcare corporations.

Medingo's tax appeal was filed against the Israel Tax Authority's argument of the sale of **Functions, Assets, Risks** ("FAR") following a "Business Restructuring". As noted by Judge Seroussi, her judgment in favor of our client continues the path that was paved by Judge Borenstein in the **Broadcom** case, and she reiterated his determination that business restructuring is not "a magic word, where it is sufficient to merely utter it in order to bring about a change of the classification of the transaction that had been made between the parties."

As a result of this court ruling, the Israel Tax Authority's demand to collect tax in the amount of approx. **NIS 185 million** was dismissed.

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