August 14, 2023

Recent Case Highlights the Significance of Regulatory Compliance and Reporting International Assets

Client Updates

The press recently covered the arrest of an Israeli businessman (who was subsequently released under specific conditions) for failing to report 20,000,000 euros gained from the sale of Mobileye shares, which were originally purchased in 2001. The businessman had kept this substantial sum in a Spanish bank account. As per the Common Reporting Standard (CRS) regulations, the information about his account was shared with the Spanish tax authorities and subsequently passed on to the Israeli Tax Authority (ITA). This account information was reported by the Spanish bank in respect of the fiscal year 2017.

This case serves as a strong reminder of the increasing collaboration between global tax authorities in exchanging financial information, underscoring the importance of adhering to international tax rules.

It is important to remember that an Israeli tax resident is taxed on a worldwide basis, regardless of whether the income was produced in Israel or abroad. Moreover, an Israeli tax resident maintaining bank accounts or other assets overseas (under certain conditions) is required to report these in Israel.

In the current era of extensive information exchange among nations, propelled by provisions such as the Common Reporting Standard (CRS), one should expect that such financial information would reach the ITA sooner or later. It is also worth noting that due to the lack of reporting, the statute of limitations might not offer protection in these scenarios, as can be seen in the case mentioned above, where financial data from as far back as 2017 is under scrutiny in 2023.

Since there is no voluntary disclosure program in Israel since 2019, there is no clear pathway to rectify previous misreporting obligations or tax payments. However, that should not dissuade individuals from taking proactive measures. Indeed, it would be wise to reach out to the tax authorities to resolve situations where there has been a failure to report or pay taxes as per Israeli law.

Though the absence of a voluntary disclosure program might mean potential criminal repercussions, it is plausible that these would be less severe than if the tax authorities were to initiate the investigation themselves.

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