

April 7, 2024

## **Another Step Towards Legislation – the New Reporting Obligations for New & Returning Residents and Trusts**

### **Client Updates**

On April 1, 2024, the Knesset's Finance Committee approved a new bill to amend the Income Tax Ordinance for a second and third reading in the Parliament, in order to increase tax law transparency, meet international standards regarding information exchange and prevent a negative assessment of Israel by the Global Forum and Israel's entry into the European Union's blacklist.

A previous update we published on this subject is linked [HERE](#).

### **Cancellation of Exemption from Reporting**

According to the approved bill, the **reporting** exemption that is currently granted to new Israeli tax residents and veteran returning tax residents on foreign assets and income, for a period of 10 years commencing on the date they became Israeli tax residents (the "Benefit Period"), will be **abolished** for anyone who becomes a new or veteran returning tax resident **as of January 1, 2026** (whereas the original bill referred to anyone who becomes a resident of Israel as of June 2025).

### **New and veteran returning tax residents of Israel will still be entitled to a tax exemption on income earned outside of Israel during the Benefit Period.**

Another amendment that concerns individuals who become residents of Israel as of January 1, 2026, concerns "controlled" foreign companies. According to the current law, a foreign company whose "control and management" is effectively carried out by an individual who is a new or a veteran returning tax resident, is not considered a resident of Israel during the Benefit Period. According to the proposed bill, the Tax Authority will be entitled to require said company to submit information or to file a tax return in Israel. The approved version of the law removed the section according to which if the foreign company did not file a report as required, the Tax Authority may require the individual to make the aforementioned reporting.

### **"Beneficial Owners" Reporting on Trusts**

The approved bill also includes the imposition of reporting obligations on "controlling individuals" of trusts. With respect to a trust that is required to report in Israel, the trustee will be obliged to attach to the annual tax return details regarding the individuals who are the final "controlling individuals" of the trust, i.e., the

Settlor, the trustee, the protector of the trust or the beneficiary (and if one of them is a corporation – the "controlling individuals" of that corporation). The above will apply in respect of tax returns filed for the tax year 2025.

In addition, a general reporting obligation has been imposed on every trustee who is a resident of Israel, even if the trust itself is not subject to reporting and taxation in Israel (for example, a trust in which all the settlors and all the beneficiaries are not residents of Israel). In such a trust, the trustee will be required to report the "controlling individuals" of the trust and the place of residence thereof, within 90 days from the date of creation of the trust (and in relation to trusts created before the publication of the amendment to the law, within 120 days from January 1, 2026).

## Key Contacts



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