



YIGAL ARNON & Co.
LAW FIRM

Client Update – March 30, 2020

Updates for Non-Profits - and Public-Benefit Companies

As part of the national effort against the outbreak of the Coronavirus, various authorities have issued guidelines and easements for non-profit and public-benefit companies.

Israeli Corporations Authority

- Reception: Public reception and frontal services will not be provided at any branch of Israeli Corporations Authority. However, in urgent cases, after approval, frontal service will be provided while exercising all precautions. In accordance, one may utilize our office to arrange an urgent meeting.
- March 31, 2020 the Corporations Authority announced that it would no longer allow document submission in the deposit boxes. It is possible to send by mail (preferably by registered mail to enable tracking) and attach contact information including telephone and e-mail address to which confirmation or other reference will be sent, as appropriate. It is important to keep a copy of the document sent.
- The response time for handling physically submitted (via mail) reports is expected to be longer than usual.

We recommend submitting documents and reports online. Council /Board members, CEOs, auditing accountants and other officers of non-profit organizations and public-benefit companies, that are registered with the Corporations Authority system, can submit certain reports online using Government Identification System (GovID), even without a smart card. We will be happy to assist and guide you in this regard.

- It is still possible to register non-profit organizations and public-interest companies online.
- Pledges registrations via e-mail: Starting March 26, 2020, attorneys are able to submit pledge registration requests to the Registrar of Pledges via e-mail using a smart card.
- Extensions: All non-profits, public-benefit companies, and public charitable trusts were granted a forty-five-day automatic extension (no need to submit a request) for filing documents and information required during an audit process by the Registrar of Associations and Charitable Trusts or a CPA on its behalf. We estimate that if the crisis continues, then further extensions will be granted.

Please note that applications for approval of Proper Management (“Nihul Takin”) of non-profits or public-benefit companies that haven't met all submission requirements of documents or other clarification demands will not be handled.

The annual report deadline for 2019 will be postponed by a month, to July 31, 2020, along with the filing of annual reports for 2019, under the “Proper Management for Two Years” policy. In addition, reporting schedules



coordinated with the Institute of Certified Public Accountants will be postponed by a month or in accordance with extensions which will be granted on a case-by-case basis.

- Annual Fees: The Corporations Authority will allow a reduced annual fee to be paid in April as well (even though the regulations permit paying a reduced fee until the end of March), while at the same time it is exploring the possibility of legislative amendment to make it official. Please note - if a legislative amendment is not eventually passed, the Ministry of Justice will act to collect the difference retroactively.
- Easement of Inspection and Auditing Procedures: No new inspection and audit procedures will commence against non-profits, public-benefit companies, and public charitable trusts until the crisis is over (no specific date was published yet). In addition, all current inspection and audit procedures are frozen.

Programs for correcting deficiencies for non-profits and public-benefit companies accompanied by an accompanying party on behalf of the Registrar will continue in accordance with the provisions of each program. However, the accompanying accountants have been instructed to consider the special needs arising from the emergency and each case will be decided on its own merits.

- Easements for Submitting Original Documents: Usually when a non-profit or a public-benefit company submits an online application that is not identified by smart card or Government Identification System, the original documents, that a scanned copy thereof were attached to the online application, must be submitted physically to the Registrar. However, at this point, the Registrar will be satisfied with sending a scanned copy via e-mail to Moked-Amutot@justice.gov.il. Subsequently, after things return to normal, the submission of original document will be required. It should be noted that the handling of requests submitted online in an identified manner is generally quicker and negates the need to submit original documents entirely.

Charitable Trusts may submit documents via e-mail to Moked-Hakdashot@justice.gov.il.

The circular of the Registrar with a lists of reports and documents which can be filed online or via email can be found at <https://www.gov.il/he/departments/news/online-submission-actions-association>

- Signing Documents in Front of a Lawyer: The Israeli Bar Association has, in some cases, accepted affidavit signing through video conferences, rather than in person in front of a lawyer. Regarding reporting forms that are not declarations, where the signature is required by law, the Corporations Authority is considering whether to accept documents and reports (that are not affidavits) signed in accordance of the Bar's rules, but this has not yet been approved.
- Suspension of Deletion Procedures: Initiated deletion proceedings of associations that are not filing annual reports are suspended until further notice (non-profit organizations which have started this procedure have been notified by the Registrar of Associations and the notice itself remains in effect).

Further Updates: The Corporations Authority's Q&A website on the subject of corporate emergency preparedness available here: https://www.gov.il/he/departments/faq/30320_korona.

The guidelines of the relevant authorities are updated frequently in accordance with government policy and directives. It is advisable to stay updated and verify with us the most up to date guidelines prior to any material action.

Expediting Payments to Non-profit Organizations that have Issued Invoices to the Government

As part of the inter-sectoral roundtable at the Prime Minister's Office, several options were explored for aiding non-profit organizations' activities during the Coronavirus Crisis. For example, a subcommittee is coordinating inquiries from organizations to shorten credit periods and advance government payments to non-profits that have issued invoices for services rendered. To apply, one must fill out the subcommittee's questionnaire in the [following link](#). Invoices issued 30 or more days ago will be given priority.



Municipal Tax (Arnona) Exemptions for Voluntary Institutions - Extension of Deadlines:

In the Executive Director's circular 5/2020, the Ministry of the Interior extended the deadlines for filing an exemption from municipal tax to a public service voluntary institution by a month. Accordingly, the final date for the filing of an exemption or affidavit for non-change of circumstances, as applicable, will be May 1, 2020.

General Accountant Division of the Ministry of Finance

In a statement from the General Accountant Division of the Ministry of Finance on relief and assistance to non-profit organizations dated March 22, 2020, the following guidelines and steps were published:

- The Fund for State Guaranteed Loans: Possibility of obtaining a state guarantee for up to 85% of the total amount of the loan, under the preferential conditions for non-profits. In addition, a special fund assisting with the consequences of the Coronavirus Crisis, which allows borrowing of working capital under favorable conditions. The fund has a special track for social organizations that provide services to the government in the fields of health, education, and welfare under preferred conditions, without a personal or third-party guarantee.
- Advances of support funding for 2020: The Exceptions Commission is authorized to approve advance payments for the support funds for 2020 as part of the state's management without an approved budget. In addition, the commission is working to identify additional criteria for support payments to address the outbreak of the Coronavirus.
- Suspension of audits of public institutions: The audit system ordered the freezing of audits for public institutions supported by the state budget. An extension was also given for the submission and completion dates of documents. Notice will be delivered directly to the relevant institutions.
- Approval to exceed the maximum rate of general expenditures: The Division intends to amend the procedure to allow exceptions to the maximum rate for general and administrative expenses and the deficit, in relation to the entity's activity turnover (which is normally limited in order to ensure that donations are used for the public purposes of the organization and NOT for the financing of internal administrative costs).

Contact

We are here to assist you with any legal assistance which you may need, Adv. Yuval Shalhevet (yuvals@arnon.co.il), Adv. Itamar A. Cohen (itamarc@arnon.co.il), and Adv. Aner Hefetz (aner@arnon.co.il).

This update is informative only and should not be treated as legal advice or legal opinion.

