

LEGAL UPDATE – JUNE 2012

VOLUNTARY DISCLOSURE OF OFFSHORE INCOME AND ASSETS

EXTENSION OF DEADLINE AND ALLOWING APPLICATION ON A NO-NAME BASIS

Further to our legal update from April 2012 ("Voluntary Disclosure Of Offshore Income and Assets"), we wish to update you that on June 26, 2012 the Israel Tax Authority (the "ITA") announced the extension of program's deadline until September 27, 2012. In addition, the ITA will enable applications to be made on a no-name basis in order to allow a preliminary assessment of the tax liability involved.

Background

The program enabled residents of Israel to apply (with an original deadline of June 30, 2012) for a special procedure of voluntary disclosure of their offshore assets and income. Approved cases of voluntary disclosure will enjoy immunity from criminal prosecution; no fines or penalties on the civil assessment; no interest on the amount of tax owing; and possible waiver of inflation indexation on the amount of tax owed (at the discretion of the ITA).

Extension of the Voluntary Disclosure Program

The ITA has extended the deadline for voluntary disclosure under the Program until September 27, 2012.

Applications On A No-Name Basis

The ITA has announced that it will enable taxpayers to apply on a no-name basis and examine their potential tax liability in order to decide whether to continue with the Program.

Applications must include the following details:

1. The amount of capital accumulated outside of Israel and its sources;
2. The types of income derived over the years;
3. A list of documents possessed by the applicant which may assist in proving the facts (without the documents being submitted at this point).
4. The location of the applicant's tax assessment office (or the applicant's permanent address if he or she has no tax file). All of this without specifying the applicant's identifying details.

The application will be transferred to the relevant assessment office for examination of the potential tax liability which will be discussed with the applicant's representative. Once the potential tax liability is known, the applicant will be then able to decide whether to apply for the voluntary disclosure program on a named basis.

We recommend that the use of the voluntary disclosure program be seriously considered before September 27, 2012.

Please direct any queries you may have regarding these matters to:
Harry Kirsh (harryk@arnon.co.il) or Ofir Levy (ofirl@arnon.co.il) of our Tax department.