



רחל לבקוביץ | רו"ח  
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בס"ד

### **Israeli Voluntary Disclosure Procedure**

The final deadline for the Israeli Voluntary Disclosure Procedure is Dec. 31 2016, however under certain conditions you may need to file by June 30 2016.

**Now is the time to review your tax obligations to the Israeli Tax Authority!**

Starting from 2003 all Israeli residents are obligated to report all worldwide income (including foreign passive income) to the Israeli tax authority.

The Israeli Tax Authority wishes to motivate taxpayers, VAT dealers, individuals, and officers in corporations, which have committed offences under Israeli tax law, to amend their tax reports and submit the correct data. In order to reach this goal, the ITA, in coordination with the State Attorney, is willing to undertake not to open criminal proceedings against anyone who shall perform a voluntarily disclosure.

Our office has the ability and knowledge to assist citizens that are interested in fulfilling their obligations in reporting their Israeli and foreign income to the Israeli Tax Authority. Our office specializes in preparing calculations and submitting tax returns to the Israeli Tax Authority.

#### **Form 5329 – from the Israel Tax Authority (Mas Hachnasa)**

Over the past few months, many Israeli citizens have received a letter from the Investigation department of the Israeli Tax Authority, whose title reads: "Personal information Report and Declaration of Sources of Income" דוח פרטים אישיים והצהרה על מקורות הכנסה.

The form requires **Israeli citizens** to:

- fill out their source of income and detail their bank account balances
- report whether or not they are shareholders in a company or partners in a business
- detail all real estate assets and all homes that belong to either them or their spouses
- provide further information that the Tax Authority will use to determine whether citizens are hiding part of their incomes

Based on this information, the Tax Authority may open a tax assessment file obligating citizens to pay taxes, and which may possibly lead to a criminal investigation.

Principally, the people who have received the FORM 5329 are split into three main groups:

- Those that have **more than one apartment or home** and are therefore, in most cases, obligated to report their rental income and pay Israeli taxes on it.
- Those that **remain outside of Israel for more than 90 days** during the fiscal year, and therefore are suspected of having business, income and assets outside of Israel that they have not reported to the Israeli Tax Authority.
- The third group is **those who do not report themselves as paid workers**, yet have made irregular or suspicious withdrawals from and deposits to their bank accounts that were not officially documented by the Tax Authority.

Another type of citizen who may receive this letter is someone who is reported on by *kav hatzedek*, an informant to the Israeli Tax Authority, and the reports from *kav hatzedek* do not match their official reports to the tax authorities.

Refusing to fill out the form, or filling it out incorrectly, may be considered a criminal offense. **It is important to fill out the form carefully and precisely, with the help of a professional accountant, and to confirm all tax related aspects that emerge from it; which can include retroactive taxes from up to ten prior years and taxes of future tax years.**

**It is strongly suggested that those who are obligated to report their income and are not doing so to reconsider their decision in light of the Israeli Tax Authority's campaign to find all those who are withholding information about their income, a result of an agreement between the US and Israel strengthening international tax law enforcement.**

Very truly yours,  
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