

# Israeli Companies Listed on The Nasdaq

## Israeli cooperate Tax Benefits and Allocation of Options

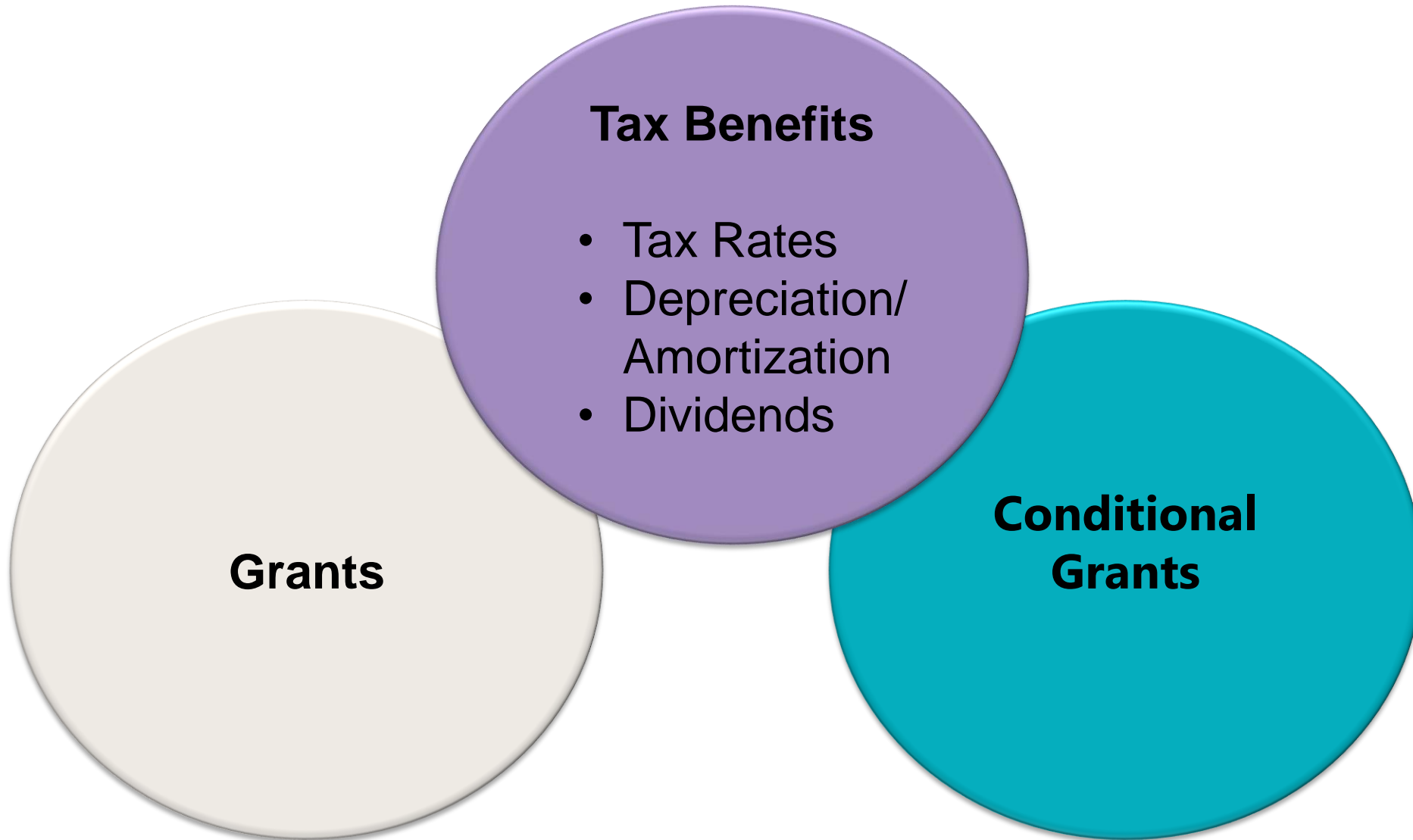
September 10, 2024

**Yigal Rofhe, CPA**  
Partner, Head of tax department  
Grant Thornton Israel

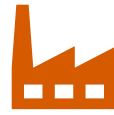
\* This presentation is for general information only and is not considered as advice.



# Laws of Encouragement and Incentives - Benefits



# Tax Benefits



## Preferred industrial enterprise



## Preferred Technology Enterprise



Condition to  
Received Benefits

- Manufacturing activity
- Export 25% at list

Required Non intendable asset:

- Patent
- Rights in a computer program
- Agricultural rights, etc.



Tax Benefits

- Development area A – 7.5%
- Remainder of the country – 16%
- Special - 5%
- Accelerated depreciation

- Development area A – 7.5%
- Remainder of the country – 12%
- Special - 6%
- Accelerated depreciation



Dividend WHT from  
the Preferred Income

20%  
may be reduced in accordance with the  
tax treaty

20%/4%\*\*  
may be reduced in accordance with  
the tax treaty



Total Tax Rate\*

24%-32.8%

24.8%-29.6%

\* Not Including "Additional Tax" (income exceeding NIS 721,560 (in 2024) would be subject to an additional tax at the rate of 3%).

\*\*Foreign Resident who holds 90% or more of the company's share, the withholding tax rate on the dividend would be 4%.

# Allocation of rights to employees and service providers

Allocation of:	Exercise price	Eligible For Israeli Tax Benefits	Allocation Without a Trustee	Always in the money	Exercising Depending on Performance
Shares	X	V	X	V	X
Options	V	V	V	X	X
RSU's	X	V	V	V	X
ESPP	V	Subject to tax ruling	V	X	X
Conditional Options	V	Subject to tax ruling	V	X	V

# Allocation of Options – Israeli Tax Aspects

	102		3(i)
	With a Trustee	Without a Trustee	
	Capital Gain		
Tax Rate	25% / marginal tax (up to 47%)	Marginal tax (up to 47%)	Marginal tax (up to 47%)
Tax Event	Upon the sale of the shares	<ul style="list-style-type: none"> <li>No tax event upon allocation of options\ RSU's</li> <li>Tax event upon the sale of the shares</li> </ul>	<ul style="list-style-type: none"> <li>No tax event upon allocation of options\ RSU's</li> <li>Tax event upon exercising into shares</li> </ul>
Allowed Expense	Only on the marginal tax part	Allocation of options Expense not allowed	<ul style="list-style-type: none"> <li>Allowed expense</li> <li>Subject to VAT</li> </ul>



# Allocation of Options - Israeli Tax Aspects

## Points for Discussion:

- Allocation of option/Shares/ESPP/RSU's/Conditional options
- **Allocation** of options at least +90 days prior to an Initial Public Offering (“**IPO**”).
- In **102 capital gain with a Trustee Track** - part of the gain could potentially be subject marginal tax rate (according to the average exercise price).
- **Relocation of Employees** - Tax implications upon relocation to and from Israel.
- **Repricing** - When the exercise price is significantly lower than the share price - tax ruling from the Israeli Tax Authorities.
- **Supervisor Trustee** - Obtaining a tax ruling from the Israeli Tax Authority for a supervisor 102 Trustee.
- **409A requirements** - US tax implications, may apply.

# Thank you!

**Yigal Rofhe, CPA**

Partner, Head of tax department

Office: 972-3-7106644

Yigal.Rofhe@il.gt.com

