

Miryam Institute
Israeli Tax Incentives for U.S. Investors and First Time Residents
A Short Overview

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אין באמור במצגת זו כדי להוות חוות דעת ו/או ייעוץ משפטי בסוגיות הנידונות ובכל אופן מומלץ להתייעץ עם מומחה מס לפני נקיטת צעדים משפטיים ו/או אחרים המסתמכים על מצגת זו.

Tax benefits for Foreign Residents In Israel

Tax benefits for Foreign Residents (US Investors)

- **Holding in Israeli Private Company:** Subject to certain limitations, full Exemption is applied on Capital Gain of foreign residents (entities and individuals) from the sale of securities of an **Israeli private company**/ foreign Company the main assets of which are located in Israel.
- **Holding in Israel Public Company:** Subject to certain limitations, full Exemption is applied on Capital Gain of foreign residents (entities and individuals) from the sale of securities of shares traded on Tel Aviv Stock Exchange.
- **Special Exemption Rulings** from the ITA are available to Foreign Tax investors in Israeli/ Foreign Venture Capital Funds/ Hedge. Foreign LPs - Full tax exemption on capital gains, interest, and dividends, with no Israeli tax filing requirements. Foreign Rights Holders in the GP - Reduced 15% final tax rate on Israeli Carried Interest, full exemption on foreign Carried Interest, benefits for direct investments in the Funds the as LP, up to 4%.
- **Full Exemption** for **interest** paid by traded Bonds in Tel Aviv Stock Exchange /Government Bonds/ Government Loan.

Tax benefits for For US Investors

Article 15 the U.S.–Israel Income Tax Treaty:

(1) A resident of one Contracting State **shall be exempt from tax** by the other Contracting State on gains from the sale, exchange, or other disposition of capital assets, **except in the following cases:**

...

(e) Gains derived by a resident of one State from the sale, exchange or other disposition of shares of stock in a company which is a resident of the other State, **but only if at any time during the 12-month period preceding such sale, exchange or other disposition, the resident of the first-mentioned State owned, directly or indirectly, 10 percent or more of the voting power of such company.**

- No branch tax according to the Israeli tax law

The Capital Investment Encouragement Law

The Capital Investment Encouragement Law

	Standard	Preferred Technological Enterprise (PTE)	PTE - <u>Development Area A*</u>	Special Preferred* Technological
Corporate Tax rate	23%	12%	7.5%	6%

	Standard	Standard - Holding 10% or more	Inter-company Dividends - Standard	Dividends from Preferred Tech income
Dividends WHT rate	25%	30%	0%	20%

*Subject to Pillar 2 Regulations

The Capital Investment Encouragement Law (High-tech Industry)

The definition of a “Preferred Technological Enterprise” is intended to grant tax benefits to knowledge-intensive (high-tech) companies.

To fall within this definition, the enterprise should meet the following terms –

- Minimum R&D expenditure thresholds, namely R&D expenses amounting to at least 7% of revenues or totaling NIS 75 million;
- Satisfy one of several “innovation tests” (such as the proportion of R&D employees, venture capital investment, or growth in revenues and/or workforce). Alternatively, approval may be obtained from the Israel Innovation Authority.
- **The Export Rule: 25% or more** of its revenue during the tax year are derived from sales in a Market (country or a separate customs territory) that has a population **of at least 14 million**.
- The consolidated group revenues must not exceed NIS 10 billion.

The Capital Investment Encouragement Law (High-tech Industry)

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“Technological income” is the income of a technological enterprise that is generated or accrued in the course of its ordinary business from a “qualifying intangible asset” (owned or used by the enterprise). The law and regulations specify the types of income included:

- **Granting a right of use:** Income from granting the right to use a qualifying intangible asset (licenses, royalties);
- **Software-based services (SaaS):** Income from services based on software. This category was specifically added to accommodate modern business models (such as cloud services), where access to the service is provided rather than a license being sold;
- **Product sales:** Income from a product whose production involved the use of a qualifying intangible asset by the enterprise;
- **Ancillary product:** Income from a product that is ancillary or supportive to computer software.

The Capital Investment Encouragement Law (Real Estate)

The Encouragement Law provides to an owner of “**Institutional Rental Building**” special tax benefits in respect of the income from apartments in an **Institutional Rental Building** within the framework of a plan approved by the Authority for **Investments and Development of the Industry and Economy**.

The tax benefits are granted to the property owner subject to a commitment to designate all or part of the building for long-term residential rentals or to continuing lessor.

Tax benefits are contingent upon a minimum number of rental units, depending on the building's location:

minimum number of apartments	a Peripheral Area - 6 apartments <u>or</u> At least 30% of all apartments in the building provided that their area constitutes at least 30% of the total floor area of the building.	Non-Peripheral Area - 10 apartments <u>or</u> At least 66% of all apartments in the building provided that their area constitutes at least 50% of the total floor area of the building.
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The Capital Investment Encouragement Law (Real Estate)

Tax benefits to an owner of **Institutional Rental Building** :

- **Annual accelerated depreciation rate** of 20% on the residential rental apartments (instead of standard depreciation rates – generally 2% for buildings).
- **Dividends** originating from taxable income derived from the rental or sale of **Institutional Rental Apartments**, shall be subject to a tax rate of **only 20%**:

Rental Period	Reduced tax rates- Sale of Apartments	Reduced tax rates -Rental of Apartments
From the initial rental date up to 5 years	(1)	Individual: 29% , Company: 11%
From the 6th year up to 10 years	Individual: 29% , Company: 11%	Individual: 27.5% , Company: 9%
From the 11th year up to 15 years	Individual: 27.5% , Company: 9%	Individual: 25.5% , Company: 7%
From the 16th year up to 20 years	Individual: 25.5% , Company: 7%	Individual: 24% , Company: 5%
From the 21st year onwards	Individual: 24% , Company: 5%	Individual: 24% , Company: 5%

Tax Benefits for First Time Residents and Veteran Returning Residents

Tax benefits for First Time Residents and Veteran Returning Residents

An Israeli resident is defined as an individual whose **center of life** is in Israel, including the following ties:

Permanent home

- ✓ Place of residence of the individual and his or her family.
- ✓ Habitual place of business or permanent place of employment .
- ✓ Place where assets and investments are located .
- ✓ Place of membership in organizations, associations and institutions.

The center of life will be considered in Israel in the following circumstances:

Individual remains in Israel at least **183** days in a year.

The individual remains in Israel in the relevant year at least 30 days and together with the two years before, his staying in Israel **425** days or more (second presumption).

Tax benefits for First Time Residents and Veteran Returning Residents

- **A Foreign resident is a person who is not an “Israeli resident” and an individual for whom all the following applies:**
 - he stays abroad for at least 183 days in each year, in the tax year and in the subsequent tax year;
 - the center of his life was not in Israel, during two tax years after the tax years said above
- **A First Time Resident (Ole Chadash) is defined as an individual who became an Israel resident for the first time.**
- **A Veteran (Senior) Returning Resident is a person who were considered foreign resident for a period of at least 10 consecutive years.**

Tax benefits for First Time Residents and Veteran Returning Residents

The major Tax Benefits for First Time Residents and Veteran Returning Residents are as follows:

- **Exemption from Israeli income tax that accrued outside of Israel within the ten years period commencing from the date of arrival to Israel (**subject to Mixed Activity**).**
- **Exemption from Capital Gains** derived from the sale of an asset located outside of Israel within the **Ten Years Period** or in certain condition from the sale of a **private Israeli company** which was purchased prior to the date of Aliya .
- **The exemption from reporting has canceled for individuals who become Israeli resident on January 1, 2026 or after.**
- **Non Application of the Definition “Israeli Resident” on corporations** - “Corporation” will not be considered as an Israeli Resident for tax purposes, if the control and management of its business are conducted in Israel by a First Time Resident or a Veteran Returning Resident, or by anyone acting on their behalf (**Still there is an exposure to PE**).

Tax benefits for First Time Residents and Veteran Returning Residents

Draft Law: Encouraging Aliyah and Return to Israel via Tax Incentives *(December 2025)*

The Objective

To incentivize Aliyah and the return of Israeli citizens in **2026** by easing the tax burden on active income generated within Israel.

Income Tax Exemptions - Proposed exemptions on income from **ordinary activities** (such as personal exertion, including employment, business, or profession) performed from Israel.

The exemption applies up to specific annual ceilings for the years **2026 - 2030**.

Benefits apply starting from the date of **becoming an Israeli resident within the Year 2026**.

These new incentives are designed to be **in addition** to existing tax benefits currently available to First Time Residents (Olim Chadashim) and Veteran Returning Residents.

Tax benefits for First Time Residents and Veteran Returning Residents

Draft Law: Encouraging Aliyah and Return to Israel via Tax Incentives (December 2025)

The Proposed tax benefits -

Tax Year	Tax exemption for Active Income
2026	Up to 1,000,000NIS
2027	Up to 1,000,000NIS
2028	Up to 600,000NIS
2029	Up to 350,000NIS
2030	Up to 150,000NIS

AMPELI

TAX LAW OFFICES

We're excited to meet you
and share valuable insights
(January 2026)

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