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## Israeli Tax Authority Postpones Voluntary Disclosure Deadline until 31.12.2016

The Israeli Tax Authority (ITA) announced on Thursday, June 30, that the deadline for applications – anonymous or otherwise - for the current Voluntary Disclosure Procedure in Israel ("the VDP") is postponed until December 31, 2016.

One of the reasons to postpone the deadline is the recent amendment to the Prohibition on Money Laundering Law (PML), under which severe tax offences will become a predicate offence (see further details in the second item below).

The VDP will be shortly amended to include also immunity from prosecution on money laundering offences under the PML.

The current VDP, published on September 8, 2014, includes:

1. The possibility to submit anonymous applications.
2. A "Green VDP" – a special procedure for applications where assets are below ILS 2,000,000 (currently approx. USD 519,000) and taxable income is below ILS 500,000 (currently approx. USD 130,000). The Green VDP includes the possibility to submit of all relevant reports, including the details of the applicant, and if accepted, there will be no negotiations with the ITA. The application must include the applicant's identity and amended tax return for all relevant tax years. If the invoice is paid in time, no criminal procedure will be initiated.

Since there is no change in the routine policy of the ITA to allow, as a matter of rule, anonymous applications for voluntary disclosure of assets held in trusts, foundations and similar structures, such policy is not affected by the deadline just extended, and continues to be in force.

Nevertheless, as a matter of precaution, it would be advisable to complete the procedure also by the end of the year, and settle the reporting and taxation duties of the trustee or the board of the foundation, and thus comply with the said amendment of the PML.

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## Amended Anti Money Laundering Legislation Enhances Combat Against Undeclared Assets

Under the Amendment, an Israeli resident individual who transferred out of Israel funds in a total value higher than ILS 500,000 (approx. USD 131,500), is obliged to file an annual tax return for the relevant tax year(s) in which the transfers took place and also for the subsequent year.

1. Severe tax offences above a certain threshold are added to the list of predicate offenses. (For example, under the amendment, filing of a falsified tax return, or omitting a detail that should have been included in a tax return, would be considered as a Severe Tax Offence under the PML, provided that the income involved is ILS 1,000,000 within one year or ILS 2,500,000 in a period of 4 year)
2. The maximum punishment on severe tax offence is raised from 7 to 10 year of imprisonment
3. Specific provisions enable the transfer of information between the Israeli Tax Authority and the Israel Money Laundering and Terror Financing Prohibition Authority;

The amendment will enter into force on October 7, 2016.

As explained above, the ITA announced that the VDP will be shortly amended to allow possible applicants to come to an agreement also with regards to any possible liability under the amended PML, the whole until December 31, 2016.

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### Questions?

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