



Israel Tax Authority

September 7, 2014

Voluntary Disclosure Procedure

A. General

The Israeli Tax Authority (hereinafter: "**ITA**") 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 according to the conditions detailed below (hereinafter: "**the Procedure**").

The Procedure will apply to tax offences referred to in **Appendix A** to this Procedure.

Conditions for the voluntary disclosure procedure

1. The voluntary disclosure will be honest, complete, and will be made in good faith.
2. At the time of the submission of the application, the ITA has not examined or investigated the applicant's tax matters. For this purpose, "examined or investigated" shall include such activities with respect to the spouse of the applicant and companies controlled by either the applicant or by his spouse.
3. At the time of the submission of the application, the **ITA** does not have any information which is related to the voluntary disclosure, including with regard to the applicant's spouse, companies controlled by the applicant or his spouse, and a partner's files.
4. At the time of the submission of the application, the Israeli police was not examining or investigating the applicant's matters or of his spouse, or companies

controlled by the applicant or by his spouse, which are related to the voluntary disclosure, including their business activity, or any other income producing activity.

5. The **ITA** may reject the voluntary disclosure application if any information noted above in paragraphs 2-4, which is related to the voluntary disclosure, directly or indirectly, including with respect to the applicant's spouse, companies controlled by the applicant or his spouse, and partner's files: (i) is held by another administrative authority; (ii) has been published in the public media; or (iii) was included in judicial documents, court protocols, or any other document which was part of civil or criminal proceedings, whether held in Israel or abroad.
6.
 - a. In exceptional cases, due to extraordinary personal circumstances (such as a serious illness), the **ITA** may approve a voluntary disclosure application even if it has information as described in section 3 above, or an examination or investigation, as described in sections 2 and 4 above has already begun.
 - b. In exceptional cases and due to unique reasons which will be noted, when the information, investigation or inspection as described in sections 2-4 above, are related to one company out of many, which are controlled by the applicant and when such information, examination or investigation is not related, directly or indirectly, to the application, then the **ITA** may approve a voluntary disclosure application even if it has information as mentioned in section 3 above, or an examination or investigation as described in sections 2 and 4 above has already begun.

B. mode of action

7. Voluntary disclosure applications will be submitted exclusively to the Senior Deputy Director General (Investigations and Intelligence) of the **ITA**, and he alone will be authorized to approve such applications (hereinafter: "**The Authorized Official**").

If a voluntary disclosure application has been submitted to another **ITA** official, it shall be immediately transferred to the Authorized Official.

8. The disclosure shall be honest and will include any information relevant to the application, including *inter alia* : (i) the relevant tax years; (ii) the source of the income; (iii) the origin of the capital; (iv) the amounts of income that were undeclared; and (v) details and estimations of the tax liability. All relevant documents will be submitted together with the application.
9. The applicant will sign and submit the form in **Appendix B**.
10. The application will be signed by the applicant. If the applicant is represented, then the power of attorney will also be submitted.
11. If the Authorized Official decides that the application should not be approved, then he shall notify the applicant.
12. If the Authorized Official decides that the application meets the procedure's criteria, then he shall notify the applicant that his application is approved subject to the payment of the applicable tax as determined by the civil official. Following the application's approval, the Authorized Official will transfer the application to the relevant civil official (e.g., the Tax Assessing Officer, the VAT Officer, the Real Estate Officer, the Customs Collector, etc.) for the determination of the applicable tax.
13. The applicant shall pay the applicable tax at such time as will be determined by the civil official. For the purpose of this section "payment of applicable tax" shall be defined as: payment of nominal amount, linkage, interest and civil fines, as determined by the civil official and at such time as will be decided by him
14. The applicant shall fully and honestly cooperate with any relevant **ITA** official, with regard to any issue related to the voluntary disclosure application.
15. If the applicable tax, as determined by the civil official, was paid, at such time as was decided by him, then no criminal proceedings will be taken against the applicant with respect to the voluntary disclosure application that was approved, as mentioned in section 12 above.

C. Limitations regarding the immunity from criminal proceedings

16. A taxpayer will be entitled to participate in a voluntary disclosure procedure once in a lifetime. A second application shall only be approved in special circumstances, such as serious illness, old age, etc.

17. The Procedure shall not apply to income derived from criminal activity.
18. The Procedure shall not apply if it will not yield a significant tax payment with respect to the relevant tax years. However, the Procedure will apply even if the applicable tax is insignificant, in the case of inherited money where the applicant's sole offence with regard to such funds, has been the failure to report since 2003, or similar cases.
19. The immunity from criminal proceedings will apply only to the information which was disclosed in the voluntary disclosure procedure.
20. The immunity according to this Procedure will apply only to the tax offences mentioned in Appendix A to this Procedure.
21. The procedure shall not apply to offences which are classified as administrative offences according to the Administrative Offences Law 5786-1985.
22. In case sections 1, 8 or 14 of the Procedure have been breached, no immunity from criminal proceedings shall be granted to the applicant and the ITA will be allowed to use the information provided in the application as evidence in civil and criminal proceedings.
23. In case the application was not approved by the Authorized Official, the ITA shall not use the information disclosed in the application in criminal and civil proceedings.
24. This Procedure replaces any previous procedure or circular with respect to the voluntary disclosure procedure.
25. This Procedure shall be in force from the day of its publication and until December 31, 2016.

The applications to the voluntary disclosure procedure will be submitted to Authorized Official via email: giluymerazon@taxes.gov.il

Israel Tax Authority

Appendix A

1. The Income Tax Ordinance (new version), 5721-1961.
2. The Real Estate Taxation (Appreciation and Acquisition) Law 5723-1963.
3. The Value Added Tax Law, 5736-1975.
4. The Purchase Tax (Goods and Services) Law, 5712-1952
5. The Customs Ordinance (New Version).
6. Customs and Excise Duties (variation of Tariff) Law, 5709-1949.
7. Any tax order in any law or according to a law, with respect to one or more of the Laws mentioned in sections 1-6 above.

Appendix B

Voluntary Disclosure Application Form

Name of applicant: _____

Applicant's ID number / Company number: _____

Details of the application _____

Tax years							
source of Income							
Total income for each Tax year or reporting period							
Total tax liability for each tax year							

Was any Voluntary Disclosure application submitted in the past?

Yes No

(If an application was submitted in the past, it should be submitted with this form)

I hereby declare that the funds included in this application do not derive from criminal activity. I also declare that the details in this application and its Appendices are complete and correct.

Name of the applicant: _____ signature of the applicant: _____

Date: _____