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Transfer of Money into and out of Israel: Toughening Reporting Requirements

In Israel, as is customary in other countries, reporting the transfer of money into or out of the country is required by law, particularly when substantial amounts of money are at hand.

Until recently, the Prohibition on Money Laundering Law stipulated a reporting obligation for any person entering or exiting Israel with a sum of at least NIS 100,000 in cash (including foreign currency, bank checks or travelers' checks equivalent to this amount).

Violation of this obligation is an offense by law, which may result in 6 months' imprisonment or a fine up to ten times the amount which was not declared. The law further authorizes police officers and customs officials to seize the money exceeding the exempted sum.

In a considerable attempt to elevate the struggle against money laundering and adapt it to international standards, an amendment to the Prohibition on Money Laundering Law was recently passed.

The amendment calls for the enhancement of reporting obligations, lowering the reporting requirement while entering and exiting the country to a minimum of NIS 50,000. The reporting obligation at a land border crossing is set at an even lower sum of at least NIS 12,000.

In addition, within the framework of the amendment, the definition of the term "monies" was broadened to include, inter alia, a variety of negotiable payment methods, in addition to cash, bank checks and travelers' checks, as follows:

- Negotiable notes;
- Bearer securities;
- Payment card or any other means of payment which the issuer permits an individual to make use of;

These amendments were made following the recommendations of the Financial Action Task Force (FATF), an international entity combatting money laundering and terrorist financing. As of today, Israel serves as an observer with the hope of becoming a full-fledged member in the future.

In order to join the FATF, Israel will be required to withstand an international inspection which will be jointly conducted by the FATF and Moneyval, a monitoring body, for the purpose of determining whether Israel effectively meets international standards.

New Immigrants Also Exposed to New Reporting Requirements

Prior to the amendment, new immigrants first entering into Israel were granted relief, requiring them to report money transfer in the amount of NIS 1.25 million or more. This exclusion was meant to provide a break during their immigration process, since Israel is considered an immigration country that aims to encourage *Aliyah*.

And yet, Moneyval's report from 2008 criticized Israel for this exclusion, claiming that it does not meet the international standard and poses the danger of infiltration of cash derived from illicit sources into Israel.

Pursuant to the above, the amendment to the law now toughens the reporting requirements on new immigrants as well. The amendment eliminates the exclusion mentioned above and new immigrants are now being required to report a minimum sum of NIS 50,000 when initially entering Israel.

The amendment seems at odds with the intent to encourage *Aliyah* and new immigrants may indeed undergo hardships in this respect.

The amendment to the law entered into force upon its publication in the Gazette on December 7th, 2017.

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