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Extension of Israeli Voluntary Disclosure Procedure & Inclusion of Tax Offences in Prohibition on Money Laundering Law

On June 30, 2016, the Israel Tax Authority issued a notice stating that the Voluntary Disclosure Procedure will be extended until December 31, 2016 and will also apply to money laundering offences, consolidated by original offences, which shall be considered tax offences liable to the Voluntary Disclosure Procedure.

It should be noted that on April 7, 2016, amendment No. 14 to the Prohibition on Money Laundering Law was published, adding several tax offences pertaining to Income Tax, Value Added Tax and Real Estate Tax as money laundering offences.

The Extension of the Voluntary Disclosure Procedure

Until December 31, 2016, voluntary disclosure applications under the Voluntary Disclosure Procedure ("VDP") may be filed through one of the following paths: (1) a "regular" application; (2) an anonymous application; and (3) a short application, as follows:

- Under the "regular" application path, the identity of the taxpayer is disclosed once the application is submitted.
- Under the anonymous application path, the disclosure is submitted on a no-name basis and the identity of the taxpayer is disclosed only after a tax agreement has been reached with the Israel Tax Authority ("ITA") to settle the outstanding tax liability.
- Under the short application path, the disclosure is handled through an expedited settlement process, allowing taxpayers to submit revised tax returns. The short application path is available only to taxpayers whose undisclosed capital does not exceed NIS 2 million and whose aggregate undisclosed taxable income does not exceed NIS 0.5 million.

Immunity from Criminal Proceedings in Accordance with the VDP

In accordance with the VDP launched on September 7, 2014 the immunity is granted only to tax offences mentioned under the tax laws, among others,

the Income Tax Ordinance, the Real Estate Taxation Law, Value Added Tax Law and any relevant tax order.

In accordance with the ITA's latest publication, because of the amendment to the Law (see below), the VDP will also apply to offences of money laundering originating from tax offences.

The Inclusion of Tax Offences in Prohibition on Money Laundering Law

In this regard, it should be noted that on April 7, 2016, amendment No. 14 to the Prohibition on Money Laundering Law, 2000 (the "Law") was published, and it shall come into force on October 7, 2016.

In accordance with the new amendment, the Law will include specific severe tax offences relating to income tax, value added taxation and real estate taxation as money laundering offences.

The Following Offences shall be Considered Money Laundering Offences

The Law now includes, inter alia, omitting income statements; making a false statement or entry; providing a false answer, whether verbal or written; preparing, maintaining or allowing another to prepare or to maintain false account books or other false records; using any fraud, artifice or contrivance; and presenting a fraudulent document to whoever paid the income in order to prevent or reduce the deduction of tax at the source.

Implications of the Amendment to the Law

- Stricter penalty of up to ten years in prison, as opposed to a lesser prison term under the tax legislation.
- Under the Law, the property of the offender may be confiscated to the sum of the property that was used in the offence, or used to commit the offence or was intended for the purpose of making the offence.
- Exchange of information between the Israel Money Laundering and Terror Financing Prohibition Authority and the Israel Tax Authority.

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