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Deduction of Public Offering Expenses

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According to Israeli tax law, in general, expenses incurred by companies in respect of public offerings of securities on a stock exchange are not deductible, except if incurred in connection with public offerings of Israeli resident industrial companies, which are deductible over a period of 3 tax years.

In recent years, various suggestions have been made with regard to granting tax reliefs, in order to make the notion of investing on the Tel Aviv Stock Exchange (hereinafter: "TASE") more appealing. These proposals have been made, inter *alia*, in light of a significant decline in the volume of trade on the TASE, a decrease in new public offerings and a recent trend in which companies delist.

It should be noted that there is a controversy in professional circles over whether in fact the granting of tax benefits will indeed increase companies' readiness to register securities on the TASE, and if so, whether there are preferable means for achieving this goal.

In light of the aforesaid, on March 18, 2018 the Income Tax Law (Deduction of issuance expenses) (Temporary Order), 5770 – 2017 was published.

The Israeli legislator enacted a temporary order which stipulates that any company or partnership that issued shares or participation units on an Israeli Stock Exchange as of January 1, 2018, may deduct expenses incurred in connection with a public offering within the tax year in which the issuance took place.

The Order provides tax benefits for public offerings on the TASE, as opposed to offerings on foreign stock exchanges, and in this respect is consistent with the initiatives to further encourage offerings on the TASE.

This temporary order will expire on December 31, 2020. However, the Minister of Finance with the approval of the Finance Committee of the Knesset may by order extend the law for additional periods not exceeding three years each.

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