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The end of banking secrecy?

Today, collecting information on foreign residents' financial accounts and submitting that information to the state of residence of the account holders is done through the CRS, the acronym for Common Reporting Standard. The standard, developed by the OECD, is intended to outline how financial information about foreign residents is collected for transfer to the resident countries of the account holders, automatically and on an annual basis.

At the beginning of 2019, income tax regulations dealing with the implementation of CRS in Israel came into effect. This might have a considerable practical significance. The regulations affect the conduct of financial institutions in Israel with regard to their duty to provide information to the Israeli tax authority about foreign residents holding financial assets in Israel and the transfer of this information to foreign tax authorities that are part of the CRS, as well as the possibility of the Israeli tax authority to obtain information about Israeli residents holding financial assets outside of Israel. Financial institutions that will be required to transfer information to the Israeli tax authority include entities such as banks, insurance companies, investment funds and more.

The implementation of the regulations in Israel is put into effect in several stages: In July this year, Israel began receiving information from 53 countries to which it also transmits information. These countries include, among others, France Germany and Canada. By September 2020, Israel will receive information from 73 countries and transmits information to these countries as well. Among the countries that will be added to the reporting circle by September 2020 are Switzerland and Austria. In the further course, the list of countries is expected to expand even further and include (as of this date) 93 countries including countries with which Israel has no double taxation treaties such as Cyprus, the British Virgin Islands and the Cayman Islands.

[Link to the full list of countries](#)

Recently, the Israeli media reported on the arrest of a number of Israeli citizens after their names being included in a list of overseas bank account holders that was received as a result of completing the first phase of implementing the CRS.

This significant event foreshadows the potential implications of holding an undeclared foreign bank account in an era in which the flow of information between financial institutions and tax authorities has become a default. This holds true for both Israeli residents who hold a bank account abroad and foreign residents who hold a bank account in Israel.

In this context, it should be mentioned, that at the end of the year (December 31, 2019), the Israeli "voluntary disclosure" procedure is expected to end. This procedure can help avoid (in appropriate cases) criminal prosecution for tax offenses, including offenses arising from the possession of a foreign bank account whose existence has not been reported to the relevant tax authorities.

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