

# Tax

## Thinking of getting a residential property in Israel? Here are some tax-related issues you may want to consider



If you are planning to buy a home in Israel, there are a number of tax-issues that you should take into account. In this brief review, we will try to layout the general outlines regarding Israeli taxation on the purchase of residential real estate.

In a recent law amendment, the Real Estate Taxation Law was amended and the tax brackets for purchase tax were raised significantly. As a result, a significant tax burden is imposed on buyers of apartments whose residence is abroad, as well as on Israeli residents who already own a home in Israel. Yet, tax benefits granted to new immigrants and Israeli residents purchasing their only property in Israel remain in place.

### Purchase Tax

Upon the acquisition of Israeli real estate, a purchase tax is levied on the buyer. The tax is paid at the time of the purchase, and is calculated as a percentage of the total value of the acquired asset (irrespective of the financing method). The tax rate differs depending on the value of the property, the status of the purchaser, and the extent of the real estate in his possession.

- As of today and according to the new legislation effective since the end of November 2021, the default tax rates set for buyers of residential real estate is as follows:
  - An 8% tax rate will apply on any sum up to NIS 5,348,565; and
  - A 10% tax rate will apply on any sum above.
- According to the new legislation, the purchase tax burden will be eased beginning January 1st, 2025, and will return to its level before the new legislation was enacted:
  - A 5% tax rate on any sum, up to NIS 1,294,770;
  - A 6% tax rate on any sum ranging from NIS 1,294,770 to NIS 3,884,295;
  - A 7% tax rate on any sum ranging from NIS 3,884,295 to NIS 5,348,565;
  - An 8% tax rate on any sum ranging from NIS 5,348,565 to NIS 17,828,555;
  - A 10% tax rate on any sum exceeding NIS 17,828,555.

- The new legislation did not affect new Israeli immigrants (*Oleh*). Currently, an *Oleh* is entitled to special purchase tax rates ranging between 0.5% and 5% of the value of the asset, depending on the tax bracket. An *Oleh* receives this reduced rate twice; once upon purchasing a residential property that will be used as his primary residence and once when buying a business or commercial property that will be used for the business of the *Oleh* or her/his relatives.
- Additionally, reduced purchase tax rates apply to Israeli tax residents who buy their only residence.

### **Capital gains tax**

An appreciation tax (capital gain tax) component is levied on the seller of an asset. The appreciation tax rate stands at a 25% rate of the yield of the property. Any increase in the property's value which occurred before 1.1.2014 is generally exempt from Appreciation Tax, but a linear calculation is performed. That being said, there are certain cases in which a property will be exempt from Appreciation Tax (under particular conditions), such as the seller's single property that has been used for residence.

- The exemption will be granted to Israeli tax residents, and to foreign residents who present an approval from the relevant authorities of their country of residency, verifying that they do not own a residence in that country.
- The exemption will be granted only up to the sum of NIS 4,495,000, above which the seller of the property is subject to Appreciation Tax on the excess component of the price exceeding the said amount.

### **For further information please contact**



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