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Proposed legislative memorandum – Application of Israeli Law to a Foreign Businesses Targeting Its Activity to Customers in Israel

Client Updates

A new proposed legislative memorandum by the Ministry of Justice provides that foreign businesses selling goods or services to customers in Israel will be required to comply with Israeli laws in the areas of consumer protection; privacy; standard form contracts; and payment services.

[Further to our update dated 22.5.2025 regarding recent developments in court decisions](#), we wish to inform you that on 27.01.2026 the Ministry of Justice published a new legislative memorandum – [Application of Israeli Law to a Foreign Businesses Targeting Its Activity to Customers in Israel, 5786-2026](#). The purpose of the proposed legislative memorandum is to expressly determine when, and under which circumstances, certain mandatory Israeli laws will apply to a business whose main place of business is outside Israel, but who contracts with customers in Israel - even where the engagement agreement provides that the governing law is foreign law. This arises in the background of Israeli Supreme Court's decisions on this matter, specifically regarding the ruling 6992/22 **AGODA COMPANY Pte. Ltd v. Shay Tzviya** (Nevo, 27.5.24).

Key points of the proposed legislative memorandum:

The proposed legislative memorandum suggests that a foreign business directing its activity to customers in Israel will be required to act in accordance with certain mandatory Israeli laws (non-waivable) when selling goods or services.

- **Israeli Law that the proposed legislative memorandum seeks to apply to foreign businesses:**
 - Consumer Protection Law, 5741-1981
 - Protection of Privacy Law, 5741-1981
 - Standard Form Contracts Law, 5743-1982
 - Payment Services Law, 5779-2019

- **To whom does the proposed legislative memorandum apply?**
 - **Definition of "Customer"?**

- A person staying in Israel who seeks to purchase goods or services for personal or household use.
 - The proposed legislative memorandum is not limited to private consumers only. The definition of "customer" also includes a "small-business" (up to five employees or annual turnover of up to NIS 2 million), provided that the engagement is under a standard form contract for the purchase of goods or services with another business.
- **Who is a foreign business to whom the law will apply?**
- A business whose main place of business is not in Israel, whether or not it is registered in Israel.
 - A business that directs its activity to customers in Israel, **including through another person**, while selling goods or services to such customers.
 - A business will be deemed to direct its activity to customers in Israel if any of the following apply:
 - A business that takes proactive steps to sell goods or services to customers, including through another person, in order to operate in the Israeli market or promote its activity therein.
 - A transaction relating to real estate located in Israel.
 - The determining test as to whether a business will be considered as directing its activity to customers in Israel will be a substantive test of the foreign business activities - taking dedicated actions and investing resources for the purpose of operating in the Israeli market, including, inter alia:
 - A website in Hebrew;
 - Documents in Hebrew;
 - Displaying prices in Israeli currency;
 - Hebrew-language customer service;
 - Marketing specifically targeted to Israelis.
- **Main obligations that will apply to foreign business if the proposed legislative memorandum is enacted:**
- Obligation to provide a representative's address in Israel - an obligation to publish prominently on the website an

address of a representative in Israel or an email address for purposes of service of statements of claim/pleadings.

- It will not be possible to determine governing-law rules if their application leads to the application of foreign law that would override, contrary to the provisions of the law, the application of mandatory Israeli law as stated above.
- It will not be possible to set a term providing that the law applicable to a standard form contract will be the law of a jurisdiction other than the State of Israel, or a term granting the supplier an exclusive right to choose the law that will apply to the contract.

The proposed legislative memorandum is open for public comments until 17.2.2026.

We remain at your disposal for any questions and/or consultation on this matter. We will continue to follow and update regarding developments.

This update is intended to provide general and concise information only. It does not constitute a full or complete analysis of the issues discussed, does not constitute a legal opinion or legal advice, and should not be relied upon.

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