

such foreign resident proves that he doesn't possess any apartment in his residence country. Within the transitional provisions it has been proposed that a foreign resident will be able to enjoy relative relief at the time of sale of up to two qualifying apartments, if he owned them before January 1st, 2014.

3.4 The Budget law includes a provision that reflects the controversial position of the Israeli Tax Authority whereby relief upon exchange of Real Estate outside of Israel may not be granted. Nevertheless, at the time of selling the exchanged Real Estate, the foreign tax will be creditable against any other tax liability of the taxpayer, and tax that was paid in excess will be refunded to the taxpayer if some conditions are fulfilled.

3.5 An exemption from tax that is given to a foreign resident from the sale of shares in a private company, will not apply, when, at the time of selling, most of the company's value is derived, directly or indirectly, from (A) immovable property situated in Israel; (B) a right to utilize natural resources in Israel; (C) a right to proceeds from immovable property situated in Israel.

4. Stricter rules applying to a transparent company for tax purposes - a “family company”:

4.1 In a nutshell, a family company is a company that is held by individuals who are members of the same family, which may be treated, at its own request, as a transparent company for tax purposes. In this case, the income is attributed to a “representative taxpayer”, who is the individual with the highest holding rate in the company.

4.2 In accordance with the current provisions of the ITO, an ordinary company may request to change its classification to a family company via a written notice to the assessment officer up to one month before the tax year (i.e. the notice is to be given by the end of November before the commencement of the tax year). In accordance with the Budget Law, a company will be able to be classified as a family company, if it notices the assessment officer of its election within 3 months of its incorporation date. The meaning of the proposed change is that existing companies will not be able to become family companies except within the transitional provisions that have been prescribed in the Budget Law (and at the same time a mechanism of