

The "Voluntary Disclosure" Procedure - A window of opportunities

On November 15th, 2011, the Israeli Tax Authority (Hereinafter: "ITA") published a circular concerning a temporary favorable procedure of voluntary disclosure, with regard to undeclared foreign assets and earnings outside of Israel. The procedure was set for a limited period of time commencing November 15th, 2011 until June 30th, 2012 (hereinafter: "**The Temporary Provision**"). The temporary provision is additional to the procedure of voluntary disclosure which the ITA published in 2005 (hereinafter: "**The Regular Procedure (2005)**").

The temporary provision constitutes a breakthrough and a window of opportunities in relation to tax arrangements for Israeli residents, and in particular for those who own bank accounts, assets, capital etc. abroad (Hereinafter: "**Foreign Assets**"). **According to the temporary provision, Israeli residents who own foreign assets may implement the procedure of voluntary disclosure, through which they would be granted both immunity from a criminal proceeding (in the tax laws aspect) as well as tax reliefs.**

The objective of the temporary provision is to bring to the knowledge of the ITA information concerning income of Israeli residents from foreign assets, which were never reported in Israel, especially in light of "circumstances indicating the weakening of banking confidentiality in many countries".

The procedure sets a number of conditions to those eligible to enter within its gates; however, it seems that the procedure does not fit all Israeli residents who would consider applying to the ITA. For example, the Temporary provision does not apply to an Israeli resident who owns assets in Israel - In this case the Regular Procedure (2005) should be implemented.

The benefit of the Temporary Provision (in contrast to the Regular Procedure (2005)) lies in the fact that the computed tax according to the civil assessment will not accumulate interest and fines! Regarding linkage differentials accumulated on the computed tax, reliefs may be granted.

It should be noted that most applications submitted according to the regular procedure (2005) during last year, resulted with imposition of interest, indexation and deficit fines at a rate ranging from 15% to 30% of the resulting tax burden. It is expected that interest and deficit fine would be nullified in the context of the Temporary Provision.

The short period of time that was set requires the taxpayers to take immediate action to obtain and gather the information, so that they may submit the applications and enjoy the benefits granted within the Temporary Provision. Applications which include a request to activate the Temporary Provision are submitted to a joint committee of 4 members, deputy director generals of the ITA, who shall handle the application regarding both civil and criminal