Encouraging Aliyah and Return to Israel Law (Temporary Provision), 5786–2026

The full path: from the permanent tax benefits, through eligibility and caps, to implementation in practice

1 **Permanent benefits**
Sections 14 and 97 of the Ordinance.

2 **Who is eligible**
Status, date window, center of life.

3 **What is exempt**
Qualifying income and caps.

4 **How to claim**
Form 116E, coordination, advances.

5 **Annual return**
Eligibility, continuity, National Insurance.

Adv. (CPA) Guy Chen | September 2026

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Lecture map: the permanent benefits and the new layer

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1

The permanent tax benefits for new immigrants and returning residents

Exemption for income and assets outside Israel, residency severance date, mixed activity and the reporting obligation

Three statuses, three different benefit packages

The scope of the benefit follows from status, and status follows from the number of consecutive years as a foreign resident

First-time Israeli resident (new immigrant)

- Became an Israeli resident, never having been one before.
- Requires an actual move of the center of life; citizenship or a certificate alone is not enough.
- A temporary resident visa (A/1) does not prevent or defer the move of the center of life.
- Full package: ten years of exemption under Sections 14 and 97.

Senior returning resident

- Returned to Israel after at least ten consecutive years as a foreign resident.
- Same benefit package as a new immigrant: Sections 14 and 97 of the Ordinance.

Returning resident (regular)

- Returned to Israel after at least six consecutive years as a foreign resident.
- Applies to those who ceased to be Israeli residents from 1 Jan 2009; previously, three years were required.

Source in the Ordinance and effective dates

The current regime was set by Amendment 168 to the Ordinance and applies to individuals who returned to Israel from 1 Jan 2007 onward. "Senior returning resident" is defined in Section 14(a) of the Ordinance, the same definition the 2026 Temporary Provision refers to.

Status is set by the facts, not by choice: the count of consecutive years as a foreign resident determines which benefit package the client falls into.

The residency severance date sets when the count of foreign-residency years begins

Leaving early in the year · more than 183 days outside Israel

- Example: departure on 1 March.
- The severance date is the day the individual actually left Israel, not 1 January of that year.
- **The partial year of departure (from severance to year-end) counts toward the foreign-residency years.**

Leaving late in the year · fewer than 183 days outside Israel

- Example: departure on 1 August.
- The four-year count begins no earlier than the following year.
- The severance date is deferred accordingly, subject to the conditions of the alternative test.
- **In practice, leaving near year-end can defer the severance date by almost half a year.**

Rebutting a days presumption requires a severance report

Section 131(a)(5e) of the Ordinance, added by Amendment 223 and effective from tax year 2016

First days presumption

- Stayed in Israel 183 days or more in the tax year.
- The presumption arises even if the individual believes their center of life is abroad.
- **The presumption is rebuttable, but it is rebutted within the report, not by failing to file.**

Second days presumption

- Stayed in Israel 30 days or more in the tax year,
- and 425 days or more in total over the tax year and the two preceding years.
- **CA 3328/15: both the day of entry and the day of exit count as days in Israel.**

The report is filed by the regular annual-return deadline under Section 132 of the Ordinance (30 April; 31 May for double-entry bookkeepers), subject to the extensions the Tax Authority publishes each year and to representative quotas

A severance report is an evidence file, not a checkbox

Report components under Section 131(a)(5e) of the Ordinance and Form 1348

The forms

- Annual return 1301, even for those with no filing obligation under any other law.
- Form 1348, residency declaration: questionnaire for determining individual residency, an appendix to the annual return.
- **Marking the declaration in return 1301 that the individual rebuts the days presumption.**

The factual foundation

- A reasoned legal memo: all the facts and arguments on which the individual claims foreign residency.
- Supporting documents: residency certificate from the country of residence, housing and employment contracts, a documented days table.
- **Days data source: entry and exit report from the Population and Immigration Authority.**

Filing on time starts the limitation period: under Section 145 of the Ordinance, the assessing officer may examine the return within four years from the end of the tax year in which it was filed.

Not filing a severance report, or filing it without supporting documents, may be treated as non-filing: the assessing officer may reject the severance claim, defer its date and deny the tax benefits.

Tax benefits on ordinary income (Section 14)

Active and passive income of a new immigrant or senior returning resident, from the date they became Israeli residents

Yes · covered by the exemption

- All ordinary income generated outside Israel, active and passive alike.
- Acquisition date is not a condition: the exemption also covers assets bought after aliyah (unlike a regular returning resident).
- Ten years from the date the individual became an Israeli resident.
- **The 2026 Temporary Provision adds an exemption on top.**

No · outside the Section 14 exemption

- Income generated in Israel is taxable under the regular rules.
- Mixed activity: the part performed in Israel is taxable, split by an objective key.
- Income from an asset located in Israel, even when the recipient is a new immigrant.
- In the Tax Authority's view, activity from Israel for a foreign company may make the company taxable in Israel (Position 13/2016).
- Separate exemption for new immigrants only: interest on a foreign-currency deposit in an Israeli bank, for twenty years.

Tax benefits on capital gains (Section 97)

Ten years from the date the individual became an Israeli resident; thereafter, a pro-rata exemption by holding period

Yes · scope of the capital exemption

- Sale of an asset located outside Israel within ten years of becoming an Israeli resident is tax-exempt.
- Acquisition date is irrelevant, including assets bought after aliyah.
- Sold after the ten years: pro-rata exemption by the share of the holding period within the benefit period.

No · exceptions to the exemption

- An asset received as an exempt gift under Section 97(a)(5) of the Ordinance after 1 Jan 2007.
- An asset outside Israel that is mainly a right, directly or indirectly, to an asset located in Israel.
- Capital gain on an asset located in Israel is outside the exemption from the outset.
- The 2026 Temporary Provision grants no capital gains exemption; it covers personal-exertion income only.

The capital exemption turns on where the asset is located and when it is sold, not on where the seller lived when buying it.

Mixed activity: the Israeli part was always taxable

Income Tax Circular 01/2011 and the Talmi ruling: splitting income by an objective key

The rule	The objective key	The Talmi case
▪ Income from work done partly in Israel and partly abroad is split. ▪ Foreign part: exempt under Section 14. Israeli part: taxable, even for a foreign resident. ▪ The taxable part must be reported; the assessing officer may ask for the calculation.	▪ Business days abroad divided by total business days in the year. ▪ Sunday or Friday may count as a business day. ▪ Tax Ruling 4528/15 required 60+ workdays abroad; Talmi was silent. ▪ Other methods are allowed; the burden of proof is on the taxpayer.	▪ Senior returning resident, returned 2007; tax years 2007–2011; UK-company salary. ▪ District Court (TA 24557-02-15): with no evidence for a split, the officer's key applies. ▪ Supreme Court (CA 1779/18) dismissed the appeal; the split method was not appealed.

What this means under the Temporary Provision

For mixed income, the part attributed to activity abroad is fully exempt under Section 14, and the part attributed to activity in Israel is exempt under the Temporary Provision, up to the annual cap only.

Until 2026, the split determined how much tax was paid. From 2026, it also determines which exemption regime applies to each part, so documentation matters more.

Real-time documentation of business days is the evidence. Without it, the assessing officer's key is more likely to prevail.

Reporting exemption repealed from 1 Jan 2026

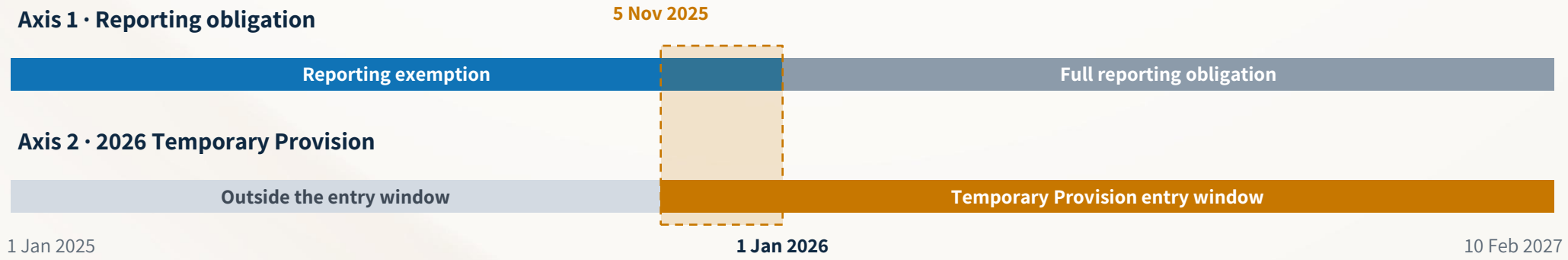
The substantive exemption stays, but the reporting obligation returns

Until 31 Dec 2025 · before Amendment 272

- New immigrants and senior returning residents were exempt from filing an annual return on foreign income and assets during the benefit period.
- The exemption also covered reporting foreign assets in a wealth declaration.

From 1 Jan 2026 · after Amendment 272

- The reporting exemption was repealed for anyone who became an Israeli resident from 1 Jan 2026 onward.
- The tax exemption under Sections 14 and 97 remains in full; what was repealed is the reporting exemption on exempt income, not the benefit.
- Most of the Temporary Provision population enters Israel in 2026 and must therefore report in full.



The overlap: anyone who moved their center of life between 5 Nov 2025 and 31 Dec 2025 may benefit from both the Temporary Provision and the reporting exemption still in force.

From severance to the new tax benefit: one chain

The severance date affects the count of foreign-residency years, the status, and both layers of benefits

Steps 1–3: checking the foreign-residency period (senior returning resident track)

1 Residency severance date ▶ **2** When the individual became a foreign resident ▶ **3** Number of consecutive foreign-residency years ▶ **4** Status: senior returning resident or new immigrant ▶ **5** Eligibility for the permanent tax benefits ▶ **6** Only then: conditions of the new tax benefit

The severance date is the first link in the chain that ends with eligibility for the new tax benefit.

For a senior returning resident: first establish when the individual became a foreign resident, then the status and the permanent tax benefits, and only then the new tax benefit.

In one sentence: a new layer on the permanent benefits

Chapter summary: the permanent benefits cover income sourced outside Israel; the new benefit adds an exemption for income generated in Israel

Permanent tax benefits · Sections 14 and 97 of the Ordinance

Income and assets outside Israel

- Section 14: 10-year exemption on ordinary income, active and passive, generated outside Israel.
- Section 97: capital gains exemption on foreign assets sold within 10 years; thereafter, a pro-rata exemption.
- As a rule, income generated in Israel is outside these foreign exemptions.
- **The new benefit does not detract from Sections 14 and 97.**

Temporary Provision · tax years 2026–2030

Personal-exertion income generated in Israel

- Exempts "qualifying income": business, vocation or salary (Sec. 2(1)/2(2)).
- Only if generated in Israel while an Israeli resident.
- Annual cap: NIS 600K (2026) down to NIS 150K (2030).
- Only if Israeli residency began 5 Nov 2025–10 Feb 2027.
- **Temporary and conditional: relative, transparent-entity and clawback limits.**

Caution: do not mix the two regimes. First classify the source and place of generation of the income; only then compute the exemption.

The new tax benefit adds, within conditions and caps, an exemption on active income generated in Israel. It takes nothing away from the permanent tax benefits.

Which regime applies? Income type vs. place generated

Don't ask "is the taxpayer exempt?"; ask what type of income it is, and where it was generated

	Generated in Israel	Generated outside Israel
Personal exertion Business · vocation · salary	**New: exemption under the Temporary Provision** Up to the annual cap, subject to the conditions and the relative and transparent-entity restrictions.	**Permanent benefits: Section 14(a) of the Ordinance** Exemption for new immigrants and senior returning residents on income generated outside Israel.
Other income Interest · dividends · rent · capital	**No exemption under the Temporary Provision** Taxable under the regular rules (e.g., Section 121 or 122).	**Permanent benefits: Sections 14 and 97** Exemption on income and assets outside Israel, subject to the Ordinance's conditions.

Mixed income: the part attributed to activity abroad is exempt under Section 14; the part attributed to activity in Israel is exempt under the Temporary Provision, up to that tax year's cap.

Reporting obligation on exempt foreign-source income, for anyone who became an Israeli resident from 1 Jan 2026

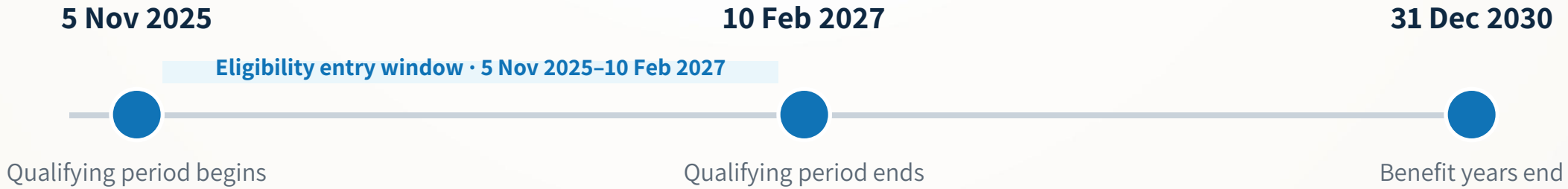
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The new tax benefit: who is eligible?

Two cumulative conditions: formal status as a new immigrant or senior returning resident, and a move of the center of life to Israel during the qualifying period

The benefit is limited in time and in income

The entry window was extended to 10 Feb 2027 under Section 38 of Basic Law: The Knesset; the benefit years are fixed in the law



2026	2027	2028	2029	2030
Cap: NIS 600K	Cap: NIS 1M	Cap: NIS 1M	Cap: NIS 350K	Cap: NIS 150K

Benefit years under the Temporary Provision · 1 Jan 2026–31 Dec 2030

2028–2029 · two monitoring years

Anyone whose center of life moved to Israel before 5 Nov 2025 or after 10 Feb 2027 is not a "beneficiary individual", regardless of when the certificate was issued.

Basic Law: The Knesset extended the window to 10 Feb 2027

Tax Authority notice of 28 Oct 2026: legislation due to expire between 10 Sep 2026 and 10 Feb 2027 is extended to 10 Feb 2027 (inclusive)

The rule · Section 38 of Basic Law: The Knesset

- Legislation that would expire in the last two months of the Knesset's term, in the four months after it decides to dissolve, or in the first three months of the incoming Knesset's term remains in force.
- Purpose: legislative continuity during elections, when the Knesset cannot extend temporary provisions.
- **The extension applies by operation of law, with no new legislation needed.**

Application · Encouraging Aliyah Law

- The end of the qualifying period moved from 31 Dec 2026 to 10 Feb 2027 (inclusive).
- The benefit years and exemption caps are unchanged: 2026–2030.
- **A new immigrant or senior returning resident who moved their center of life to Israel by 10 Feb 2027 can be a "beneficiary individual", subject to the other conditions.**

The extension was officially published: according to the Tax Authority's service page on gov.il, new immigrants and senior returning residents who arrived in Israel between 5 Nov 2025 and 10 Feb 2027 may apply.

Five questions to answer before discussing the cap

Fail at an early step and the calculation stops; a "no" path is not necessarily the end of the road

1 — Formal status and certificate?
Oleh visa/certificate, or a returning-resident certificate.
→ No: The Temporary Provision does not apply; only the permanent tax benefits remain.

Yes ↓

2 — Center of life moved during the qualifying period?
5 Nov 2025–10 Feb 2027, based on all ties, not the certificate date.
→ No: Outside the window: not a "beneficiary individual". An adjustment year does not move the date.

Conditions 1 + 2 = beneficiary individual

Yes ↓

3 — Qualifying income generated in Israel?
Personal exertion, Sec. 2(1)/2(2), while resident. ▸ more later
→ No: Other/passive income or foreign income: examined under Sections 14 and 97 or regular tax.

Yes ↓

4 — Income not attributed from a transparent entity?
Only for a substantial shareholder, not full ownership. ▸ more later
→ No: Income attributed from the transparent entity is not qualifying income (salary and management fees are).

Yes ↓

5 — Income not from a relative?
"Relative" per Sec. 88; a wholly owned company is not one. ▸ more later
→ No: Limited eligibility: NIS 140,000 a year (2026–2029), and only in the annual return.

Eligible for the exemption up to the annual cap. Choose a track: advance request (tax coordination / reduced advances) or a claim in the annual return.

"Beneficiary individual": formal status plus an actual move

Both conditions are cumulative. A certificate without a move of the center of life is not enough, and vice versa

New immigrant (oleh)

- An individual holding an oleh visa or oleh certificate under the Law of Return, 5710–1950.
- Or one of the classes of persons entitled to an absorption basket under Section 2 of the Absorption Basket Law, 5755–1994.
- Excluding anyone whose Israeli citizenship was revoked under Section 11 of the Citizenship Law.
- **Became an Israeli resident for the first time during the qualifying period.**

Senior returning resident

- As defined in Section 14(a) of the Ordinance: a foreign resident for at least 10 consecutive years before returning.
- Provided they hold a returning-resident certificate issued by the Ministry of Aliyah and Integration.
- **Became an Israeli resident again during the qualifying period.**
- A (regular) "returning resident" is not eligible under the Temporary Provision.

Formal status + certificate
New immigrant / senior returning resident

+

Move of the center of life to Israel
During 5 Nov 2025–10 Feb 2027

=

Beneficiary individual

Income Tax position in Circular 07/2026: a gap between the certificate date and the actual move? The actual move of the center of life is the determining date (more later in the deck)

A first-time Israeli resident who does not meet the definition of "oleh", and a senior returning resident without a returning-resident certificate, are not eligible.

Center of life is judged on all ties, not on one date

Under Income Tax Circular 07/2026, the assessing officer must examine whether all ties clearly point to a relocation of the center of life

1 Days of stay and frequency

Change in the number of days in Israel and the frequency of visits.

2 Permanent home

Location of the permanent home: purchase or rental in Israel, with the home abroad no longer available.

3 Family

Where the spouse, children and schools are located.

4 Business and economic ties

Location of business, clients, accounts and economic interests.

5 Social activity

Location of social activity and membership in organizations.

6 Supporting documents

Entry/exit records, housing contracts, institutional registration, transfer confirmations.

There is no single decisive test. The circular's days test is a criterion for the advance track only, not a substantive definition of center of life.

At severance: when the individual ceased to be an Israeli resident, which also raises the severance-report obligation where the law requires it.

At return or aliyah: when the center of life actually moved to Israel, the determining date for Temporary Provision eligibility.

Certificate vs. actual move: which governs if they differ?

Income Tax position in Circular 07/2026: the date the center of life actually moved is the determining date

1 Early certificate, late move

Oleh certificate: 2020

↓

Center of life: stayed abroad until 2026

Meets the condition

Eligible, if they prove they first became an Israeli resident only in the qualifying period.

2 Early move, late certificate

Center of life: moved in 2021

↓

Certificate/recognition: 2026

Does not meet the condition

Not eligible: the actual move preceded the qualifying period.

3 Certificate on time, late move

Certificate: during 2026

↓

Center of life: moved in 2028

Does not meet the condition

Not eligible: the actual move was outside the qualifying period.

Documenting the actual move date, separately from the certificate date, is the basis of the evidence file for the assessing officer.

An adjustment year does not move the center-of-life date

Adjustment year: a one-time election by a new immigrant or senior returning resident to keep being treated as a foreign resident for one year from aliyah or return, under Section 14(b) of the Ordinance, by notifying the Ministry of Aliyah and Integration within 90 days of arrival. **The election does not defer the center-of-life move date for Temporary Provision eligibility.**

Negative example · does not meet the condition

Moved center of life in January 2025

- Requested an adjustment year for 2025, ending January 2026.
- For the Temporary Provision, resident before 5 Nov 2025.
- **Result: not a "beneficiary individual"; no exemption.**

Positive example · meets the condition

Moved center of life during 2026

- Requested an adjustment year for 2026, ending during 2027.
- The date they became an Israeli resident falls within the qualifying period.
- **Result: meets the condition, subject to the other eligibility conditions and caps.**

Note: the assessing officer will examine when the center of life actually moved, based on all ties. An adjustment-year request does not "create" a new residency date and does not cure a move that took place before the qualifying period.

Before completing Form 116E, check whether the client requested an adjustment year, and when the center of life actually moved.

The 2028–2029 trap: retroactive cancellation on two conditions

Condition A: residency severance

The individual ceased to be an Israeli resident during tax year 2028 or 2029 and became a foreign resident.

AND

Condition B: fewer than 75 days in Israel

The individual stayed in Israel fewer than 75 days in one of those years (2028 or 2029).

Result: the exemption is cancelled retroactively from the law's commencement. Tax on Israeli-source income for the years in which the exemption was used is recalculated without it.

What does not trigger the clawback

- A temporary departure in 2028 or 2029, even with fewer than 75 days in Israel that year, as long as the individual remains an Israeli resident and has not severed their center of life.
- **In that case, the benefit received in 2026–2027 is not cancelled.**

Do not present every short stay as loss of the benefit: an actual end of residency in that year is also required.

3

The new benefit: which income, and how much?

Qualifying income and exemption caps for 2026–2030: relatives, transparent entities and foreign companies

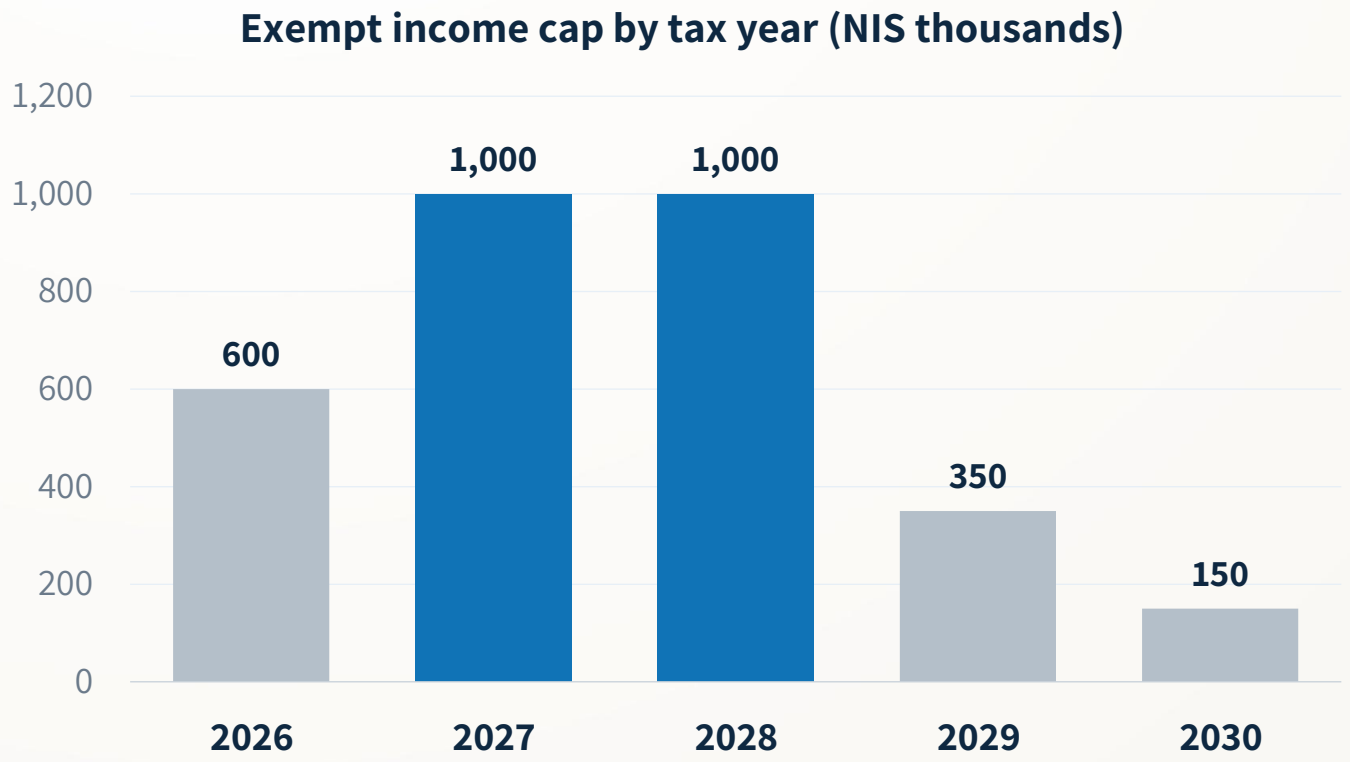
Exemption caps peak in 2027–2028

Income from a relative: separate cap

- NIS 140,000 a year in 2026–2029.
- In 2030, NIS 150,000, same as the general cap.
- **Total exemption may not exceed the general cap.**

Above the cap

- Above the cap: tax brackets under Section 121.
- Credits and credit points according to status.
- Income other than personal exertion is generally taxable.



The cumulative benefit can reach about NIS 1.5M: caps for 2026–2030 total NIS 3.1M, and actual savings depend on income level and the marginal tax rate.

The cap is for a full tax year. In 2026 it is prorated to the period of Israeli residency.

Example 1: the exemption cap is below the income

Example 1 · Employee

The facts

- Avraham: a new immigrant who arrived in Israel on 1 Jan 2026 (full tax year).
- Salary, all from work in Israel: NIS 750,000.
- Rent from a residential apartment in Israel: NIS 100,000.
- Registered as required to file an annual return.

Employment income: total	**NIS 750,000**
Exemption under the Temporary Provision (2026 cap)	**NIS 600,000**
Taxable salary income: Section 121 brackets	**NIS 150,000**
Rental income: not qualifying income; Section 122 or 121	**NIS 100,000**

In addition: credit points for a resident and new immigrant according to status.

Prorated 2026 cap: the 2026 cap is prorated to the date the individual became an Israeli resident, and only this year is calculated this way. Avraham arrived on 1 Jan 2026 and is therefore entitled to the full cap.

What counts as "qualifying income"?

"Qualifying income" is the income the Temporary Provision applies to; only it can benefit from the exemption, subject to the other conditions

Yes · within the definition of qualifying income

- Taxable personal-exertion income under Section 2(1): business or vocation.
- Taxable personal-exertion income under Section 2(2): salary.
- Generated or accrued in Israel while the individual was an Israeli resident.
- Salary, management fees or consulting fees from a transparent entity are not excluded.
- The income reflects the individual's own contribution to generating it.

No · outside the definition (under the Temporary Provision)

- "Other income" under Sec. 62A(d): interest, linkage differentials, discount fees.
- Dividends, including from a company's capital gains.
- Rent.
- Proceeds from selling an asset (Sec. 88), inventory securities, or real estate rights.
- Income attributed from a transparent entity where a substantial shareholder (10%–99.9%), except full ownership.
- **A Sec. 62A wallet company is not a "transparent entity" here.**
- Income generated after severance (e.g., a business still operating in Israel).

"No" in the right-hand column does not mean "taxable": foreign-source income is examined under Sections 14 and 97 of the Ordinance, which remain fully in place

Classify first: type of income, place generated and holding structure; only then calculate the cap.

Transparent entity: the restriction depends on holding %

"Transparent entity" under Section 64(a) of the Ordinance: partnership, family company, house company, etc.

Holding percentage in the transparent entity · 0% on the left to 100% on the right

0% to 9.99%	10% to 99.9%	100%
Qualifying income Partner or rights holder without substantial influence: income attributed from the entity is qualifying income.	**Not qualifying income** Substantial shareholder: the share of income attributed from the entity is not qualifying income, to prevent diverting profits to the beneficiary individual.	**Qualifying income** Full ownership: equivalent to operating a sole-proprietor business.

Salary, management fees or consulting fees the individual receives from the transparent entity are not excluded and can benefit

A wallet company within the meaning of Section 62A of the Ordinance is not a "transparent entity", for this Temporary Provision only.

The restriction applies to attribution of the entity's profits (Sections 63–64), not to payment for the individual's own work.

Example 2: one individual, two holdings, two outcomes

Example 2

Yitzhak: beneficiary individual, resident from 1 Jan 2026; two transparent entities; all income generated in Israel

	Consulting partnership	House company	Total
Holding	5% of profit rights	15% of shares	—
Classification under the Temporary Provision	Not a substantial shareholder: attributed income is qualifying income	Substantial shareholder in a transparent entity: not qualifying income	—
Attributed income	NIS 500,000	NIS 150,000	**NIS 650,000**
Exempt portion of income	NIS 500,000	NIS 0	**NIS 500,000**

Actual exemption NIS 500,000, below the 2026 cap (NIS 600,000). The NIS 150,000 from the house company is taxable under Section 121, even though the cap was not fully used.

The dividing line is 10%: below it, attributed income qualifies; from 10% up, it is excluded.

Salary, management fees or consulting fees from these entities are not excluded; see Example 3.

Example 3: profits don't qualify; salary is exempt

Example 3

The facts

- A beneficiary individual arrived in Israel as a new immigrant on 1 January 2026.
- He holds 20% of the profit rights in a partnership, actually works in it, and all its activity is in Israel.
- **In 2026 the partnership earned NIS 500,000 after salaries and paid him an annual salary of NIS 200,000.**

The result

- NIS 100,000, his 20% share of partnership profits, is not qualifying income: it is attributed income from a transparent entity in which he is a substantial shareholder.
- **NIS 200,000 salary for work performed in Israel is fully exempt, below the 2026 cap.**
- The full-ownership exception does not apply here: the holding is 20%.

Salary, management fees and consulting fees paid to the individual by a transparent entity are not excluded from "qualifying income"; the restriction applies to the attributed income itself.

The transparent-entity restriction applies at 10% to 99.9%; with full ownership, attributed income can qualify for the benefit.

Income from a relative: a benefit, but a different cap and track

Cap on qualifying income from a relative

- NIS 140,000 a year in 2026–2029.
- In 2030, NIS 150,000, same as the general cap.

Claim track

- Only through an annual return or a tax refund request.
- Not through tax coordination or reduced advances.
- Form 116E requires a declaration that the income is not paid by a "relative".

The key exception

- A company wholly owned by the individual is not a "relative", per the definition in Section 1 of the Temporary Provision.
- So income from it gets the full cap under Section 2(a).
- The holding percentage must be documented precisely.

"Relative" as defined in Section 88 of the Ordinance

(1) spouse, sibling, parent, grandparent, descendant and spouse's descendant, and the spouse of each of these; (2) descendant of a sibling, and sibling of a parent;

(3) a body of persons in which at least 25% of any type of means of control is held (directly or indirectly, alone or with another); (4) a trustee as defined in Section 75C, in the cases specified there.

Practitioner action: identify family and ownership ties before filing an advance request. An advance request on income from a relative will not be approved.

Income from a relative is not denied; it is routed to the annual-return track and a reduced cap.

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Example 4: salary from a relative, NIS 140,000 exempt

Example 4

The facts

- Yosef is a new immigrant who arrived in Israel on 1 January 2026.
- He is employed by a contracting company 50% owned by his brother.
- **His 2026 salary from the company: NIS 300,000.**

The result

- NIS 140,000 is tax-exempt: the cap on income from a relative under Section 2(b) of the Temporary Provision.
- NIS 160,000 is taxable at the Section 121 brackets.
- **The general statutory cap is irrelevant: all the income comes from a relative.**

"Relative" as defined in Section 88 of the Ordinance, except a company wholly owned by the immigrant. The brother's 50% holding makes the company a "relative".

When all income comes from a relative (other than a transparent entity), the relevant cap is NIS 140,000 a year in 2026–2029.

Example 5: restrictions first narrow income, then the cap

Example 5

Menashe: new immigrant from 1 Jan 2026, active in all three companies, representative assessee in both family companies

	Family company: machining	Family company: consulting	Regular private company: trading	Total
Holding	Full ownership (100%)	50%	30%: salary for his work	—
Classification under the Temporary Provision	Full ownership: therefore neither a "relative" nor a "transparent entity"	50% holding: a family company that is a "transparent entity" and also a "relative"	"Relative": salary for work	—
Attributed income / salary	NIS 500,000	NIS 400,000	NIS 200,000	**NIS 1,100,000**
Exempt portion of income	NIS 500,000	0: all income from a transparent entity	NIS 140,000: cap on income from a relative	**NIS 640,000**

NIS 640,000 exceeds the 2026 cap. So: an exemption of NIS 600,000 only, and the remaining NIS 500,000 of income is taxable (Section 2(c) of the Temporary Provision).

The wholly owned company escapes both restrictions: it is neither a "relative" nor a "transparent entity".

The benefit on income from a relative can be claimed only in the annual return, not through tax coordination or reduced advances.

Working for a foreign company: relief, not immunity

Beneficiary individual in Israel → **Personal exertion / services** → **Foreign-resident body of persons**

Tax exposure: ongoing work by an individual from Israel for a foreign company may create Israeli tax exposure for the company, including a permanent establishment, depending on the facts and the tax treaty (fixed place of business or dependent agent). If a PE is created, the profits attributed to it may be taxable in Israel.

The relief rule

- Business income of a foreign body of persons generated in Israel through the beneficiary's personal exertion is exempt in 2026–2030.
- Only if the company would have no Israeli business income without that exertion.
- Applies even if the activity creates a permanent establishment under a tax treaty.
- The foreign company may waive the exemption, in whole or in part.

Limits and exceptions

- No exemption if the beneficiary individual is a substantial shareholder in the foreign company.
- For a foreign company that is a transparent entity, no exemption for the share of income attributed to an Israeli-resident rights holder.
- No exemption if the company would be taxable in Israel on its business income even without the individual's activity.

The relief reduces the foreign company's exposure from the individual's activity in Israel, but does not replace review of permanent establishment, transfer pricing and employee taxation in complex cases.

4

How to claim the benefit in practice

The advance track: Form 116E, tax calculation, reduced advance payments and the simulator

The advance track is cash-flow relief; the annual return settles eligibility

As a rule, full eligibility is examined and approved in the annual return

During the year · advance request

- Employee: tax coordination request (Unit 17 coordinators).
- Self-employed: reduced advance rate (Collection department).
- Advance cap: NIS 500,000 if registered to file a return, NIS 300,000 otherwise, per full tax year.
- Requires the days criterion and the simulator output (see below).
- **No benefit on income from a relative on this track.**

At year-end · annual return

- Full review of all eligibility conditions on all the data.
- Claiming the exemption balance above the advance cap, up to the statutory cap.
- Income from a relative (up to NIS 140,000): only here.
- Correcting the 2026 proration and separating Israeli / foreign income.
- **Anyone who failed the advance criterion can claim the benefit here, if they prove they moved their center of life in the qualifying period.**

An exemption from withholding tax does not remove the duty to file an annual return

Practical rule: take what you can during the year; keep complex or disputed items for the annual return.

Days test: a gate to the advance track, not to eligibility

The criterion is examined only for advance approval of tax coordination or reduced advances

The days test is the condition for the advance request: employees request tax coordination; the self-employed request a reduced advance rate. Failing the test does not forfeit the benefit; eligibility is fully examined in the annual return.

The 90-day rule: in each of 2016–2025, the individual's days in Israel, and the spouse's, did not exceed 90.

How days are counted

- Both the day of entry and the day of exit count as days in Israel.
- Data comes from the Ministry of Interior's "traveler details" entry/exit certificate.
- Enter into the Tax Authority simulator and print the output.

Permitted exceptions

- The 90-day rule may be exceeded in up to three years.
- Not in 2016 and not in 2025.
- Two years up to 182 days each, and a third up to 150 days.
- Plus a cumulative three-year test.

The spouse

- The spouse must also meet all conditions.
- If they became a couple during the ten years examined, the test runs only from that year.
- An entry/exit record is needed for the spouse too.

Anyone who fails the criterion cannot get an exemption via tax coordination or reduced advances, but can have full eligibility reviewed in the annual return by proving the center-of-life move.

Form 116E requires declarations in Parts C and D, including that no National Insurance benefits were received in 2016–2025.

Examples: same couple, different outcome

Days examples

Same couple, a difference of a few days, and a different result on the advance track

Example · meets the criterion

Tax year	Individual	Spouse
2025	60	60
2024	13	0
2023	50	50
2022	80	80
2021	**160**	**160**
2020	88	70
2019	**160**	**150**
2018	0	0
2017	**145**	**100**
2016	60	60

Highlighted years exceed the 90-day rule. Only three exception years (2017, 2019, 2021), neither 2016 nor 2025; two up to 182 days and the third up to 150; no three-year window exceeds 425 days.

Example · fails the criterion

Tax year	Individual	Spouse
2025	60	60
2024	13	0
2023	50	50
2022	80	80
2021	**173**	**160**
2020	88	70
2019	**175**	**150**
2018	0	0
2017	**140**	**100**
2016	60	60

Highlighted years exceed the 90-day rule. Same three exception years, but 2019–2021 total 435 days, above the 425-day limit. No advance approval; the benefit can be claimed in the annual return.

Tax Authority simulator: advance-track eligibility check

Attaching the simulator output is a prerequisite for processing the request

What the simulator checks

- Checks the days-of-stay criterion for tax coordination or reduced advances.
- The applicant enters days in Israel for each tax year, per the "traveler details" certificate.
- **The output is printed and attached to Form 116E; the assessing officer reviews the data and the result.**

Open the simulator

Open the Tax Authority simulator

gov.il/he/service/tax-relief-new-immigrants

The decision on in-principle approval for tax coordination is made in the "2026 eligibility simulator" sheet, row 57; Form 116E is filed subject to it.

The simulator is a gate to the advance track only; failing the criterion does not deny the benefit in the annual return.

Form 116E: two filing tracks, same eligibility

Section 10 of Circular 07/2026: Form 116E is filed instead of the regular Form 116 and includes all required declarations

Employee track

1. Form 116E + declarations
2. Certificate, entries/exits, income docs
3. Days-of-stay simulator output
4. Tax coordination: Unit 17
5. Withholding exemption to employer

Self-employed track

1. Form 116E + declarations
2. Above documents + expected income support
3. Days-of-stay simulator output
4. Reduced advances request: Collection
5. Advances reduced; reconciled in return

Without the simulator output, the advance request cannot be processed: this is a prerequisite.

Form 116E also includes the regular tax-coordination reliefs: credit points and coordination between several employers.

Do not file a regular Form 116 for a beneficiary individual; the request is filed on Form 116E.

Form 116E: what the request actually looks like

Page 1 of 3 · version updated July 2026 · request for relief and tax coordination for tax year 2026



ע116 דף 1 מתוך 3

רשות המסים בישראל

טופס זה מיועד עבור עולים חדשים ו/או תושבים חוזרים ותיקים שהפכו לתושבים ישראל בתקופה שבין 5/11/2025 ועד ה-31/12/2026.

בקשה להקלה ולתיאום בחישוב המס
לשנת המס 2026
במסגרת הוראת שעה "עידוד עלייה לישראל וחזרה אליה" (להלן: "הוראת השעה")

ההחלטה בגין אישור עקרוני לתיאום מס מתקבלת בסימולטור בגיליון סימולטור זכאות לשנת 2026 בשורה 57 בהתאם למסמכים והנתונים הנדרשים. בכפוף לאישור עקרוני זה יתאפשר להגיש בקשה להקלה ולתיאום בחישוב המס בטופס זה.

לתשומת לבך: ניתן לערוך תיאום מס באמצעות האינטרנט באתר רשות המסים שכתובתו www.taxes.gov.il
כמו כן ניתן לשלוח בקשה בדואר או בפקס לפקיד השומה באזור מגוריך.

מס' תיק תיאום מס _____

אל: פקיד השומה _____

What matters when completing it

- **File the form only after in-principle approval in the eligibility simulator (row 57).**
- Section A: mark the status (first-time Israeli resident or senior returning resident) and the certificate date.
- The aliyah or return date sets the prorated 2026 cap.
- Spouse details are also needed for the days-of-stay test.
- Pages 2–3: Parts C and D, declarations by the individual and spouse, and the list of attached documents.
- **File via the Tax Authority website, by mail or by fax to the assessing officer in the area of residence.**

The document file for an advance request

Documents to attach to Form 116E

1	**Form 116E, completed and signed**	Including declarations in Parts A–D: aliyah/return date, spouse details, days of stay and center of life.
2	**Oleh certificate or returning-resident certificate**	Proof of formal status; for a senior returning resident, a certificate from the Ministry of Aliyah and Integration.
3	**"Traveler details" record**	Entries and exits for 2016–2025, for the applicant and the spouse.
4	**Income statements and payslips**	From all employers and payers, plus documents for any other relief requests.
5	**Simulator output**	Full output including the data entered and the days-of-stay result.
6	**Center-of-life documents, as needed**	Housing contracts, school registration, moving of belongings, economic and social ties.

Without the simulator output, the advance request is not processed, even if all other documents were filed.

The assessing officer reviews the accuracy of the data entered in the simulator and its results.

5

The annual return and National Insurance

Settling eligibility in the annual return, and a separate arrangement under Amendment 262 to the National Insurance Law

The annual return is where eligibility is settled

Advance track = cash flow. Annual return = full review, completing the exemption and correcting calculations

What is reviewed

- Meeting all cumulative conditions under Section 4 of the circular.
- The center-of-life move date and all ties.
- Income classification: personal exertion vs. "other income".
- Where the income was generated: Israel vs. abroad.

What is claimed

- Benefit where the days test failed but the move was in the qualifying period
- Benefit denied on the advance request but conditions met
- Exemption balance above the tax-coordination cap.
- Income from a relative, up to NIS 140,000 (2026–2029).
- Reconciling advances and withholding with final tax.

What to keep on file

- Cap and proration calculation tables (if relevant).
- Holding chart and ownership percentages in entities.
- Evidence of activity in Israel and abroad.
- Entry/exit records and the simulator output.

Anyone who failed the days criterion can claim the benefit here, by proving they moved their center of life in the qualifying period

On income above the exemption cap, the individual gets tax rates starting from the lowest bracket, plus credits and credit points according to status.

Right to waive: the beneficiary individual may waive all or part of the exemption, relevant for using credit points, foreign tax credits and multi-year planning.

Advance approval is not final. Eligibility is re-examined in the return, so the evidence file must be ready in advance.

Income tax benefit ≠ National Insurance exemption

Two separate arrangements (new-immigrant exemption, Amendment 262), neither part of the income tax Temporary Provision

National Insurance · regular new-immigrant exemption

- A new immigrant with no or low income is exempt from National Insurance and health insurance contributions for the first six months from aliyah.
- Recipients of subsistence payments from the Ministry of Aliyah and Integration: up to six more months, 12 months in total.
- **The exemption does not depend on, and is not derived from, the income tax Temporary Provision.**

National Insurance · Amendment 262, Section 350A of the Law

- **Amendment 262 is reflected in Section 350A of the National Insurance Law, a temporary provision for 2026–2035.**
- An immigrant from the United States who pays US social security contributions on employment or self-employment income is exempt from National Insurance contributions on that income.
- The exemption applies for the first five years from the oleh visa, oleh certificate or Ministry of Aliyah and Integration certificate.
- Background: Israel has no totalization (social security) agreement with the United States.

What is not included

The Section 350A exemption covers National Insurance contributions only, not health insurance contributions.

Other income

Income on which no US social security contributions were paid is subject to contributions in Israel.

Continuity of rights

Check with National Insurance how the exemption period affects benefit eligibility.

The income tax benefit does not exempt from National Insurance or health insurance contributions: these are separate laws, with different conditions and dates.

6

Summary and working conclusions

Applying the rules to cases from the circular, and a pre-filing checklist

Practitioner checklist before any action

Summary · Checklist

Before tax coordination, reducing advances or claiming the benefit in the annual return

- ✓ Oleh certificate or returning-resident certificate exists and is on file.
- ✓ Income classified: personal exertion vs. "other income"; Israel vs. abroad.
- ✓ The center-of-life move date is documented separately from the certificate issue date.
- ✓ Checked: relative, transparent entity, substantial shareholder and foreign-resident body of persons.
- ✓ Entry/exit records for 2016–2025 checked for the applicant and the spouse.
- ✓ Cap calculated correctly, including 2026 proration.
- ✓ Simulator output generated, checked and attached to the request.
- ✓ Track chosen: tax coordination / reduced advances / annual return only.

Hundreds of thousands of NIS a year, if applied correctly

Summary

This is not a general "immigrant benefit"; it is a precise benefit that must be applied correctly

If the client became an Israeli resident in the qualifying period, holds the required certificate, earns personal-exertion income in Israel and files on the right track, a tax exemption of about NIS 1.5 million over five tax years is achievable.

The four questions

- What was exempt, and what changed?
- Who is eligible?
- Which income, and how much?
- How to claim in practice?

The three costly mistakes

- Confusing benefit exclusions (transparent entity, relative) with their exceptions.
- Confusing permanent benefits with the new benefit.
- Confusing Israel with abroad.

Two checkpoints

- The advance-track cap is not the statutory cap.
- The 2028–2029 clawback requires multi-year monitoring.

Thank you

We are happy to assist

Adv. (CPA) Guy Chen | September 2026

This presentation is not legal or accounting advice and should not be relied on without reviewing the circumstances of each case.