



## TAX INFORMATION NOTE - ISRAEL

**FOYER GROUP**

The taxation applicable to the insurance contract is generally that of the country of your habitual and fiscal residence.

**You or the beneficiary or the legal taxpayer are solely responsible for declaring and paying all required taxes or making any other required declaration with regard to this insurance contract.**

Our products are designed for specific countries and the features of each product are based on the Law and Regulations of a specific country. You should check if all characteristics of your insurance contract, in particular the level of death coverage, and as a consequence its tax treatment comply with the law and regulations of your country of habitual residence.

The following general information on taxation is intended for natural persons fiscally resident in Israel.

The information herein is without prejudice to future changes in legislation during the life of the contract. It does not take into account the particular features of individual situations.

We therefore recommend that you seek advice from an independent legal and fiscal advisor, who will take into account your personal situation.

### Insurance Premium Tax

10% of the Premiums paid into a life insurance contract are considered profits for the insurance company and thus subject to corporate tax at 23% (applicable for the fiscal year 2021). Therefore premiums paid into a life insurance contract are in principle taxable at 2.3%. Since WEALINS S.A. has no permanent establishment in Israel it will claim an exemption from the payment of such tax based on the Agreement for Avoidance of Double Taxation entered into between Israel and Luxembourg. WEALINS S.A., upon receipt of the premium payment will therefore declare such premium to the Israeli Tax Authority, together with the claim for exemption from tax (ITA Form A114). WEALINS S.A. cannot guarantee that the claim for exemption will be recognized and accepted by the Israeli Tax Authority. In the event that payment of the premium is made from an Israeli bank, the person making the payment will have to apply for the said exemption (ITA Form 2513/1) in order to avoid the standard withholding tax which Israeli banks must deduct on any payment abroad (25%). Even where the payment is made from a foreign bank account, which obviously is not subject to the Israeli withholding tax obligations, it would be prudent for the person making the payment to file the application for exemption together with the one filed by WEALINS S.A..

### Taxation of Olim (new immigrants) and returning residents

New immigrants (Olim) and veteran returning residents (residents returning after being non-residents for at least ten years) who became residents since January 1st 2007 and onwards benefit from a 10 years exemption from paying tax on foreign-source income (i.e., income derived outside of Israel), both ordinary income and capital gains, and a 10 years exemption from declaring such exempt foreign-source income. This includes the gains of a life insurance contract from WEALINS S.A. upon surrender or at maturity during this 10 year period.

### Taxation of the maturity benefit or surrenders

Surrenders (full or partial) and maturity benefits arising from income generated by the invested premiums (savings element) and accruing to non-exempt Israeli residents, will be taxed in the same manner as income from interest at the rate of 25%, over and above the value of the original premium. The foregoing applies whether the surrenders / maturity benefits are sourced in ordinary income or capital gains.

**Taxation of the death benefit**

On death, the part of the risk component (i.e. the fixed amount paid to the beneficiary of the contract, calculated on the basis of the premiums paid in accordance with the relevant actuarial tables) included in the life insurance contract, exclusive of a sum received or derived from the savings component, is tax-exempt, provided the beneficiaries are relatives of the insured (spouse, sibling, parent, grandparent, offspring, offspring of spouse, and a spouse of any of the above, including an offspring of a sibling and a sibling of a parent, as well as a trustee in respect of the settlor of most trusts) and provided the premiums were not allowed as an expense deduction.

**Risk element**

Although Israeli insurance legislation does not require minimum risk cover, and the parties are entitled to agree on the investment content, nevertheless, it is generally prudent to include a minimal death-risk element in order to avoid a challenge that the contract is not really a life insurance, but rather an investment scheme.

**Self-management of account**

Generally there are no restrictions regarding the management of investments by the policyholder, as long as the investments are within the parameters allowed by the law governing the contract.

**Exit Tax**

In case of a change of residence of the policyholder outside Israel, the resident/policyholder is deemed to have sold all his assets on the day before he ceased to be resident. If he does not pay the tax at the point of departure then he is deemed to have postponed the payment to the time when the assets will actually be sold by him. At such point he will be liable to tax (generally 25%) on an amount equal to the total capital gain multiplied by the period (the years) from date of purchase to the date he ceased to be resident and divided by the total period from the purchase of the asset to the date of sale.