

FACTS AND TIPS CONCERNING PURCHASE TAX
FOR RECENT AND PROSPECTIVE OLIM

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1. Overview - Purchase Tax, *Mas Rechisha*, is a tax imposed upon purchasers of Israeli real property, such as residential and commercial units, empty plots for construction, agricultural land and farms, and so forth. The tax rate is progressive and based on the value of the transaction, and additionally on several factors, including reductions afforded to certain categories of purchasers, whether the property purchased is for residential or commercial use, whether the residence is the sole residence of the purchaser, and whether the purchaser will live in the residence, and so forth. The tax rates are updated quarterly.
2. Eligibility - In addition to new immigrants, *Olim Chadashim*, in the classical sense of the use of the term, certain temporary residents holding A-1 visas as well as others that the Treasury Minister deems as classes that are entitled to these benefits, can obtain the benefits of *Olim Chadashim*. In practice, I have witnessed qualifying Returning Minors (*Ketanim Chozrim*) receive this benefit. For purposes of this article, the term *Oleh Chadash* will encompass the categories mentioned in this section.
3. Frequency – An *Oleh Chadash* can use the reduced tax benefit one time in each of the following two separate instances, and thus may benefit twice:
 - a. Once, when purchasing an apartment to actually live in or when purchasing land in order to build a residence upon it.
 - b. An additional time, when purchasing a commercial unit, agricultural farm or land to build a commercial unit in which the *Oleh Chadash* or his/her "relatives" (as such term is defined in the law) will work.
4. Time Frame – There are two windows of opportunity for an *Oleh Chadash* to enjoy the benefit of the reduced tax rate:
 - a. Pre *Aliya* - one who purchases a qualifying property up to twelve months prior to making *Aliya* will be entitled to a tax refund, for amounts paid above the *Oleh Chadash* tax rate, after making *Aliya* and submitting the requisite paperwork to the tax authority.
 - b. Post *Aliya* – one has seven years from his/her initial *Aliya* date (the initial date of immigration to Israel) to purchase a qualifying property at the *Oleh Chadash* rate.
5. Extendibility – While the time to benefit from the tax break cannot be extended beyond seven years, and cannot be retroactive beyond a year, it is noteworthy that

the time of any mandatory service in the Israel Defense Forces or National Service is not counted in the seven years.

6. Spouses - If only one spouse in a married couple is an *Oleh Chadash*, then the tax authority only looks at the *Oleh Chadash* in calculating the tax, and the family unit is entitled to the *Oleh Chadash* tax rates. Also, if an *Oleh Chadash* and a non *Oleh Chadash* purchased an apartment together and then married each other within 12 months from the date of the purchase, the tax authority will refund the purchase tax paid by the non *Oleh Chadash* that exceeds the amount that the *Oleh Chadash* would have paid.
7. Strategies – You need to determine if it makes sense for you to use your *Oleh Chadash* benefit. You would not want to use your benefit if the tax rate would be lower if you were a regular purchaser. As you will note from the following illustration, the purchase tax on a second apartment is significantly higher than a single apartment. Even if an *Oleh Chadash* already owns an apartment or several, if they make *Aliya* in the requisite time period, they can obtain the *Oleh Chadash* tax benefit on another property, so long as they will live in that property. Also, the *Oleh Chadash* discount on a residential unit is a one time benefit to a family unit, so if you are buying a "starter home" with an intent to buy a larger home a few years down the road, you may consider preserving your *Oleh Chadash* rights until then (of course no one can guarantee that the *Oleh Chadash* benefit will still be in effect, but it has been for many years).
8. Illustration – Purchase tax rates for period of April 16, 2010 – July 15, 2010:

Purchase Price – (Residential Unit)	Purchase Tax - New Olim	Purchase Tax – Non Olim – sole apartment	Purchase Tax – Non Olim – second apartment and on
1,000,000₪	5,000₪	0₪	36,154₪
1,318,400	6,592	8,171	52,074
1,800,000	27,305	29,156	76,154
2,300,000	52,305	54,156	101,154
Purchase Price (Commercial Units/Plots ¹)	Purchase Tax - New Olim	Purchase Tax – Non Olim	
1,000,000₪	5,000₪	50,000₪	
1,318,400	6,592	65,920	
1,800,000	27,305	90,000	
2,300,000	52,305	115,000	

In sum, while the purchase tax superficially seems straightforward, in actuality knowledge, planning, and strategizing is essential to arrive at the maximum benefit.

¹ A detailed analysis of the intricacies of the way in which purchase tax is levied in a transaction involving undeveloped plots is beyond the scope of this article

This article is for informative purposes only and in no way is to be construed as legal advice or a legal opinion. Elana H. Billig, Adv. is an Associate at Gideon Koren & Co., Law Offices and Notary. Should you have any questions or comments regarding this article, feel free to contact Adv. Billig by email at elana@gkl.co.il.

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