

**DEDUCTION OF INCOME TAX AND COMMISSIONS**  
**IN FOREIGN CURRENCY**

**Tax deduction on income from securities**

1. The Income Tax Commission has determined that it is possible to pay tax in local currency on income from interest and dividends on foreign securities received in foreign currency (see appendix).

**Commissions and tax deductions on interest from deposits**

2. For technical reasons, some banks charge foreign currency commissions associated with deposits, including foreign securities custody deposits, and some also deduct income tax in foreign currency on interest from foreign-currency deposits.

**Deductions in local currency**

3. Since the various kinds of foreign currency deposits, including resident deposits (*Patam*), accord their holders certain rights, and since there are restrictions on purchasing foreign currency with local currency for deposit in these deposits, deductions should not be made from a customer's foreign currency deposit in amounts that can also be charged against a local currency account, unless the customer has specified that this should be done. Consequently, customers should be enabled to pay both tax and commissions in local currency.

**APPENDIX**

Passage from the booklet ‘*Explanatory Notes Regarding Tax Deduction at Source on Payments that are Neither Salary nor Wages,*’ Income Tax Commission and Property Tax, Jerusalem, April 1986, p. 24

**“12. Interest on debentures and dividends received from abroad, and on foreign currency**

A bank, which receives a dividend on shares or interest on debentures from a foreign resident, for an Israeli resident or to his credit, shall deduct tax from that income, and act as stated above as regards dividends and interest on debentures.

- The rate of deduction is 25%; it may be lower only if an aforementioned appropriate permit has been issued.
- The bank shall transfer the amount of tax it has deducted from this income, as well as the tax it has deducted from a dividend on shares or from interest on debentures of domestic companies traded in foreign currency, to Bank of Israel to the credit of the account of the Income Tax Division. The report shall be submitted to the assessing officer together with the details of the deductions by type of currency and a copy of the deposit slip from the Bank of Israel.
- The tax that has been deducted may also be transferred in local currency, provided it is transferred to the assessing officer at its real value, namely, at the same-day value as the income on which the tax should have been deducted, and as stated, within 7 days of the day on which the dividend was paid.”

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