



December, 2024

Update on VAT Increase in Israel Effective January 1, 2025

Dear Clients,

As announced by the Israel Tax Authority, the VAT rate on transactions in Israel and imported goods will increase from 17% to 18% starting January 1, 2025. This change applies to transactions taxed after this date.

Key Points:

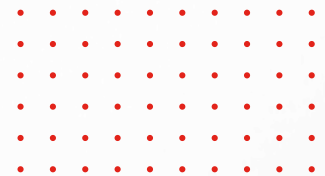
- **Determining VAT rate:** The applicable VAT rate is determined by the date of taxation, not the date of the order, payment, or invoice issuance.
- **Scope of impact:** The change affects all businesses, including domestic and international transactions, sales of goods, services, imports, and rental agreements.

Important Notes:

- **Invoices issued before the change:** If an invoice was issued before January 1, 2025, but the taxation date occurs after, a supplementary invoice must be issued for the VAT difference.
- **System Readiness:** Ensure your accounting and pricing systems are updated to accommodate the new VAT rate.
- **Installment payments:** Prepare for different VAT rates on payment portions for deferred payments or ongoing transactions.



..... Recommendations for Preparation:



Update accounting systems: Verify your systems support the new VAT rate.

Review contracts and agreements: Ensure your agreements include provisions for VAT adjustments in case of changes.

Train your staff: Educate employees handling invoicing and pricing on the change and its implications.

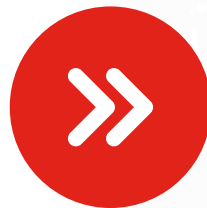
Seek professional advice: Consult with experts to ensure compliance with the new regulations and avoid errors.

We are here to assist you with any questions or to provide professional guidance during this transition.

Best regards,
AUREN CPA Israel



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Additional information:

Non-profits and financial institutions

The Minister of Finance announced that he intends to amend the Value Added Tax Order (Tax Rate on Non-profits and Financial Institutions), 5753-1992, and determine that the wage and profit tax rate paid on the activities of a financial institution in Israel will increase by one percentage point, so that it will stand at 18% instead of 17%, starting on January 1, 2025.

What is the "Date of Tax Liability"?

The date of tax liability refers to the point in time when the obligation to pay VAT on a transaction arises. This date is determined based on the type of transaction:

- **For the sale of goods:** The tax liability occurs when the goods are delivered to the buyer, not when the order is placed or payment is made.
- **For services:** The tax liability arises when payment is received unless it's a continuous service or a special case where the liability may occur at a different time.
- **For installment or ongoing transactions:** Each payment is subject to VAT based on the VAT rate in effect on the payment date.

It's important to note that the VAT rate applied (17% or 18%) is determined by the date of tax liability, not the date the invoice is issued or payment is processed.

If you're unsure about the tax liability dates for your transactions, seeking professional advice is recommended.

