



# Setting up business in

# ISRAEL



**2026**

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## General Aspects

Israel, known as the “Startup Nation,” is a global technology powerhouse. It leads in fintech, cybersecurity, biotechnology, and advanced industrial technologies, including infrastructure and machinery. It ranks among the **top three countries in unicorns per capita**, driven by its highly skilled human capital. Israel’s economy is stable and unique, expanding and leading innovation under changing conditions.

Its excellence in research and development attracts investments from **key countries, such as the United States, Germany, Japan, and India**. **Global giants like Google, Apple, Microsoft, Amazon, Intel, and Facebook** have established R&D centers in Israel. The country is considered a prime destination for businesses and investors seeking cutting-edge technologies.

## Legal Forms of Business Entities

Legal form	Feature	Remarks
<b>Companies Law, 5759-1999</b>	Provides the primary legal framework for the incorporation, governance and registration of companies in Israel.	Most companies limit the personal liability of their members (typically a company limited by shares). In this case, the term “Limited” (or the abbreviation “Ltd.”) is used as part of the company name.
<b>Private Company</b>	A private company is any company that is not a public company. It must have at least one director. It may not offer securities to the public without complying with the Securities Law (and, if applicable, stock exchange rules).	Private and public companies generally prepare annual financial statements and comply with ongoing corporate record-keeping and reporting requirements. Public companies have extensive public disclosure and governance requirements.
<b>Public Company</b>	A public company is generally a company whose securities are listed for trading on a stock exchange or have been offered to the public, and is subject to additional disclosure and corporate governance requirements.	(A private company usually has between 1 and 50 shareholders.)
<b>Foreign Company</b>	A foreign company may operate in Israel through (i) a branch registered as a foreign company, or (ii) an Israeli subsidiary incorporated under Israeli law. Depending on its activities, it may need registrations with the Israel Tax Authority (e.g., income tax/VAT) and local representatives (e.g., for VAT) and/or withholding certificates.	To register a foreign company, corporate documents are filed with the Registrar of Companies (often notarised/apostilled and translated into Hebrew). Ongoing requirements may apply to display the foreign company’s details on official documents, depending on circumstances. Notes: <ul style="list-style-type: none"> <li>For foreign entities, registration and representative requirements depend on activities (e.g., PE considerations, VAT registration rules, withholding certificates) and may change; confirm with local counsel and the Israel Tax Authority.</li> </ul>

<b>Partnership</b>	The Partnerships Ordinance defines a partnership as persons who contract to form a partnership. A general partnership is formed by two or more persons carrying on a business together for profit. The number of partners is generally limited to 20, subject to statutory exceptions (e.g., certain professional partnerships).	Partners generally have unlimited personal liability (unless they are limited partners in a limited partnership). A foreign partnership must be registered before carrying on business in Israel; for a foreign limited partnership, a permit of the Minister of Justice is required.  Notes: <ul style="list-style-type: none"> <li>Partnership rules (including the '20 partners' limit and exceptions) depend on the exact partnership type and statutory exceptions.</li> </ul>
<b>Self-Employed</b>	A self-employed person works entirely for himself and is entirely liable for the business.	
<b>Cooperative</b>	This type of business entity is found mainly in the agricultural sector, (cooperatives such as a kibbutz or moshav), transportation businesses and certain types of marketing operations associated with agricultural products.	
<b>Joint Ventures</b>	Joint ventures are an effective method for conducting business between entities from different countries.	A joint venture can be formed by a contract or be structured as a partnership or a company.
<b>Commercial Agencies</b>	Agency arrangements may also be of interest to foreign investors.	Israel has specific legislation for certain agency relationships, including the Agency Contracts (Commercial Agent and Supplier) Law, 2012 (mandatory provisions may apply in qualifying cases). Distribution agreements may also be governed by general contract law and case law.  Notes: <ul style="list-style-type: none"> <li>Agency/distribution relationships can trigger mandatory protections in qualifying cases under the 2012 Agency Contracts Law; classification should be analysed case-by-case.</li> </ul>
<b>Non-Profit Organizations (NPO)</b>	These entities operate mainly as academic institutions, hospitals, charitable organizations and municipalities.	Non-profit organisations may be subject to specific statutory regimes (e.g., Associations Law for associations and special provisions for public benefit companies), as well as reporting/approval requirements with relevant authorities.

## Organizational Questions

Topic	Feature
<b>Commercial register</b>	<p>It is necessary to register the company with the Registrar of Companies. If incorporation documents are in a foreign language, a Hebrew translation may be required for filing/official use. The incorporation fee is currently NIS 2,559 (online) and NIS 3,123 (manual). The annual fee for 2026 is NIS 1,777 (NIS 1,338 if paid by 31 March 2026).</p> <p>Notes:</p> <ul style="list-style-type: none"> <li>Fees are updated periodically; confirm against the Corporations Authority fee schedule for the relevant year.</li> </ul>
<b>Monthly and Annual Tax Filings</b>	<p>The statutory filing date for corporate tax returns is generally five months following the end of the tax year (e.g., 31 May for a calendar-year taxpayer), and extensions may be obtained. Companies generally pay monthly advance payments (based on turnover or prior-year assessment) and file periodic VAT and payroll withholding reports (monthly or bi-monthly, depending on size/activity).</p> <p>Taxes typically include:</p> <ul style="list-style-type: none"> <li>Corporate tax advance payments.</li> <li>Withholding tax from salaries and certain payments when applicable.</li> <li>Value-added tax (VAT).</li> <li>National Insurance reporting and payments (where applicable).</li> </ul> <p>Notes:</p> <ul style="list-style-type: none"> <li>Corporate tax filing deadlines and instalments are subject to extensions and specific reporting requirements; VAT reporting frequency depends on turnover and registration category.</li> </ul>
<b>Bank Account</b>	<p>It is necessary to open a commercial bank account through which all company finances will be conducted. When you open the account, you are obligated to present copies of the company's Articles and Registration Certificate, approved by an accountant or an attorney, as well as an accountant or attorney's approval of signatory rights for the company.</p>
<b>Transfer of Goods and Machinery</b>	<p>Israel has an open and transparent import and export regime. Almost all goods, equipment and machinery are allowed to be transferred according to Customs Duty regulations.</p>
<b>Receiving a Business License</b>	<p>There is a list of businesses that require a licence under the Business Licensing Law. Many commercial enterprises and professionals must have business permits in order to operate. Permits are usually issued by municipalities after prior approvals by competent authorities (e.g., Ministry of Health). Licence validity and renewal periods depend on the business type and the applicable licensing order (often multi-year, not necessarily annual).</p> <p>Notes:</p> <ul style="list-style-type: none"> <li>Business licensing validity and renewal depend on the business classification and the Licensing Order and may involve additional competent authorities.</li> </ul>

<b>Transfer of Capital</b>	Israeli banking System is very modern and technology developed. It offers money transfer at any currency, innovative payment system, internet transfer and more.
<b>Visa and residence permit</b>	<p>Immigration, residency and work permits are regulated by the Population and Immigration Authority. Common pathways include:</p> <ul style="list-style-type: none"> <li>• Family-based status (spouse/partner of an Israeli citizen), subject to a staged procedure and eligibility checks.</li> <li>• Aliyah under the Law of Return (for eligible persons and certain family members).</li> <li>• Employer-sponsored work permits/visas (typically B/1) for foreign workers.</li> </ul> <p>Work visas are generally tied to a specific employer and role and are time-limited. Additional visa categories (tourist, student, business) exist.</p>
<b>Municipal taxes</b>	Municipal property tax (Arnona) rules vary by municipality, property use classification, size and location. The liable party is generally the occupier/holder of the property, not necessarily the owner. Relief for vacant property may be available in some cases, subject to conditions and municipal discretion (often time-limited).

Notes:

- Immigration/work visa rules and eligibility are highly fact-dependent and change frequently; always verify with the Population and Immigration Authority and official consular guidance.
- Arnona exemptions/discounts for vacant properties are not automatic; they depend on the relevant municipal by-laws and the Arrangements Regulations and usually require an application and evidence.

# Taxation

Tax	Tax rate	Feature	Remarks
VAT	18%	VAT at the standard rate of 18% applies to the supply of assets or services that are in the scope of VAT law and on the importation of goods, unless zero-rate VAT or a specific exemption applies.	Zero-rate VAT allows input VAT deduction, but an exemption does not allow input VAT deduction.
Corporate income tax	23%	Resident companies are subject to Israeli tax on their worldwide income. Nonresident companies are subject to Israeli tax on income accrued or derived in Israel.	A company is an Israel tax resident if it is incorporated in Israel or if its business and management are exercised in Israel. Nonresident companies are generally taxed on Israeli-source income; treaty rules may limit Israel's taxing rights (e.g., business profits typically require a permanent establishment).

Notes:

- Corporate residence is separate from 'permanent establishment'. PE typically affects taxing rights on business profits of nonresidents under treaties.
- VAT zero-rating vs exemption has material implications for input VAT recovery; confirm classification for the specific supply/service.

<b>Capital gains tax</b> (For companies, this is an advance on corporate tax)	23%	<b>Resident companies</b> are taxable on worldwide capital gains. Capital gains are divided into real and inflationary components. Unless a tax treaty provides otherwise, in principle, <b>nonresident companies</b> and individuals are subject to Israeli tax law on their capital gains. *Foreign residents not engaged in business in Israel may qualify for exemption from capital gains tax on disposals of securities traded on the TASE and securities of Israeli companies traded on a recognized foreign stock exchange.	The tax rate on real capital gains to <b>nonresident companies</b> is the standard corporate tax rate of 23%. The inflationary component of capital gains is exempt from tax to the extent and is generally taxable at a rate of 0%- 10%.
<b>General and individual capital gains tax</b>	25%	Capital gains tax refers to the tax imposed on profits obtained from the sale of assets, such as securities but also bank deposits, a company, equipment, vehicles, customer lists, etc.	In Israel, the tax rate is 25% of the profit and is paid only after the sale of the asset. The tax is calculated according to the real profit, taking into account the increase in the index.
<b>Withholding tax</b>	Varies (generally 0%-30%)	Statutory withholding tax rates depend on the type of payment and the recipient. As a general indication (corporate recipients): dividends may be 0%/23% to resident corporations and 25%/30% to nonresident corporations (non-treaty); interest is generally 23%; and royalties are generally 23% to nonresident corporations. Tax treaties and ITA withholding certificates may reduce or exempt.	

<b>Dividends</b>	0%–30% (depends on recipient/ status)	Dividend taxation depends on the recipient's status. Resident individuals are generally taxed at 25% (or 30% for a substantial shareholder). Resident corporations are generally exempt (subject to conditions). Nonresident corporations are generally subject to withholding at 25% (or 30% for a substantial shareholder), unless reduced by treaty or an ITA certificate.	Investment incentives and specific regimes may provide different rates in qualifying cases. Always confirm treaty rates and conditions for the particular jurisdiction and the specific dividend type.
<b>Branch profit remittance</b>	N/A (no separate WHT)	Israel does not generally impose a separate 'branch profits remittance tax'. Remittance of after-tax branch profits to the head office is not treated as a dividend for withholding tax purposes under domestic law.	Branch profits are taxed in Israel at the corporate income tax rate. Classification and reporting depend on the legal structure and treaty position.
<b>Interest in companies</b>	23%	Israeli resident companies are taxable on worldwide interest, original discount and linkage differentials income. The tax rate for these types of income is the standard corporate tax rate of 23%.	In principle, the withholding tax on interest is not final taxes. An exemption from Israeli tax is available for foreign investors that receive interest income on bonds issued by Israeli companies traded on the TASE.
<b>General interest (including banks)</b>	Varies		
<b>Royalties from patent, know-how etc.</b>	Varies	Royalties to nonresident corporations are generally subject to withholding at the corporate tax rate, unless reduced by treaty or an ITA certificate. Different rules may apply to resident individuals and to certain types of royalties.	In principle, the withholding taxes on royalties are not final taxes.
<b>Branch remittance tax</b>		There is no specific tax on the remittance of profits.	
<b>Net operating losses</b>		Trading or business losses may be offset against income from any source of the same year. Losses may be carried forward indefinitely can be offset against business income and business capital gains. Losses may not be carried back.	

Notes:

- Withholding rates depend on the recipient (individual/corporation), beneficial ownership, treaty eligibility (including MLI effects) and the availability of an ITA withholding certificate.
- Some outbound payments (e.g., services, royalties, interest) can require ITA clearance/certificates. Always confirm the nature of the income and the source rules.

## Tax reductions and incentives

Tax	Feature
<b>Capital Investment Encouragement Law</b>	<p>The law has the following objectives:</p> <ul style="list-style-type: none"> <li>• Achieving of enhanced growth targets in business sector</li> <li>• Improving the competitiveness of Israel industries in international markets</li> <li>• Creating employment and development areas.</li> </ul> <p>The country is divided to national priority areas, which benefit from reduced tax rates and benefits based on the location of the enterprise.</p> <p>The law includes reduced tax rates, accelerated depreciation and fixed asset grants in developing areas.</p>
<b>Employment Grant Program</b>	Grants intended to create incentives for employment in outlying areas of Israel. Grant rates and conditions vary by programme and target group; in some programmes support may reach up to 40% (subject to eligibility and approvals).
<b>R&amp;D incentives</b>	The Israel Innovation Authority (formerly the Office of the Chief Scientist) provides R&D incentives under various programmes. Support levels and conditions vary by programme and company profile; grant rates are often in the range of ~20%–50% of eligible R&D expenditure, and may be higher in specific cases (subject to programme terms).
<b>Eilat free trade zone</b>	Eilat is a special VAT zone: certain supplies and services in Eilat may be subject to specific VAT rules (including reliefs), subject to statutory conditions. Additional incentives may be available under different programmes; eligibility depends on activity, location and approvals.

Notes:

- Incentive programmes (employment, R&D, Eilat) are policy-driven and frequently updated; eligibility, rates, reporting and clawback rules are programme-specific.
- Many R&D grants include obligations regarding IP, manufacturing location, and royalty repayments; obtain the

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## AMERICA

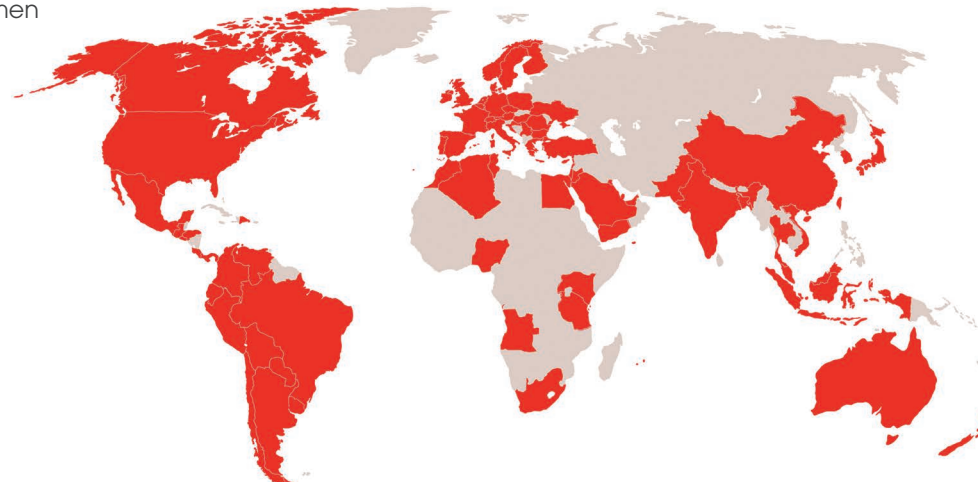
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