



## Global Reward Update Israel

Changes to the filing and reporting requirements relating to equity plans in Israel.

**October 2024**



## Headline

- New rules effective 1 January 2025, introduce additional requirements for companies filing equity plans under the Trustee route (Section 102) of the Tax Rules.
- The previously suspended legislation on mandatory quarterly and annual reporting for all companies granting awards has now been reinstated starting 1 January 2025.

## What has changed

In September 2024 the Israeli Tax Authority (the "ITA") amended the Income Tax Rules which apply to employee share plans. These changes introduce new requirements for filing equity plans in Israel. There are two main changes:

- when filing an equity plan for approval under the trustee route (known as Section 102) there are additional filing requirements; and
- the ITA has reinstated the quarterly and annual reporting requirements (which had been previously suspended).

These changes take effect from 1 January 2025. Further detail on each of these changes is set out below and we are expecting a guidance document to be released by the ITA shortly.

## Further details

We have outlined below further detail on the two main provisions of the new rules which will come into effect on 1 January 2025:

### Filing Equity Plans for approval under the Trustee route (Section 102)

One of the prerequisites under the trustee route is that the company must submit the award documentation for approval to the assessing officer at least 30 days prior to the first grant date.

Previously, companies were required to file only three forms i.e.

- Request to approve the plan;
- A trust deed; and
- A request to approve the trustee.

The new rules have added a detailed questionnaire (Appendix D) that companies are now required to complete as part of the filing process. The questionnaire contains 18 questions, about the company, the plan, the award terms, the vesting conditions, and the underlying shares. The questions are designed to allow the assessing officer to check if the employee share plan complies with the Tax Authority's interpretation of Section 102 of the Tax Rules.

It is important to note that any changes to the plan after submission to the assessing officer may require resubmission for approval. Specifically, if a change to the plan affects any answers in the questionnaire (Appendix D), it will be considered as a new plan which must be resubmitted for approval at least 30 days before making any additional grants.

### Annual and Quarterly Reporting Requirements

The current legislation requires companies and trustees to submit quarterly (i.e Form 146) and annual (i.e Form 156) reports to the assessing officer on any grants made during the past quarter or year. However, this legislation was suspended due to the inability of the ITA to set up an online reporting system hence no reporting was required.

The new rules reinstate the reporting obligations and reiterate the obligation to submit such reports (annual & quarterly) through a new online reporting system that the ITA is expected to introduce. The annual reports will need to be filed electronically by 30 April of each year and the quarterly reports within 120 days of the quarter in which an award was granted.

- All companies will be required to file their first quarterly report for the first quarter of 2025 by 29 July 2025.
- However, it is not yet clear whether the first annual online report will be required by 30 April 2025 (in respect of 2024) or by 30 April 2026 (in respect of 2025).

Note that Trustee and Non-Trustee grants are subject to the same reporting requirements.

The above changes will apply to all award plans submitted to the approval of the Assessing Officers as of 1 January 2025. We expect the ITA to provide additional updates, including further information on implementing the new changes to Section 102 of the Ordinance, before the new rules take effect. These updates are expected to be included in a tax circular, which is anticipated to be published soon.

### **Deloitte's view**

Companies should familiarise themselves with the new rules and be prepared to make the updated filings in 2025. Upon publication of the guidance tax circular, we will share further updates and clarity on the timing of the first annual online report.

### **Who to contact**

If you would like our assistance with the additional filing and online reporting requirements, or have any further questions, please speak to your usual Deloitte contact or any of the contacts listed below.

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