# Doing Business in Israel

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# General Atmosphere

- Accommodating business environment
- Flexible Companies law
- International banking system
- Tax treaties / exemptions for foreign investors
- Strong ecosystem: Local talent pool

# Common Objectives of Foreign Entities

- Scouting
- Distribution
- R&D
- Investment into an Israeli company

# Governmental Incentives

- ITA: Preferential tax regime
  - IL IP or R&D Service
  - Peripheral location within Israel

- Israel Innovation Authority (IL IP)
  - Potential grants and other incentives

# Specific Aerospace Support

- Israel Space Agency and IIA
  - Specific grants
  - Support for NGO events
  - Up to 85% of R&D expenses (for small companies)
  - Long term and uncapped R&D support

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# Specific Aerospace Support (continued)

- IIA investment upfront, royalties paid back to IIA only following successful commercialization
  - Royalty rates vary for most programs between 3%-5% until such time the grant is repaid
  - Limitations on ability to transfer IP or manufacturing outside of Israel
  - NOTE: regulation on export and use

# Specific Aerospace Support (continued)

- Specific focus on the following technologies:
  - Satellite, payload and ground-station technologies
  - Space-qualified components and systems
  - Testing and calibration equipment for space applications
  - Space-data processing and analytics solutions

# University Tech Transfer

- Access to breakthrough innovation
- continued product development (in Uni)
- Remunneration to the academic institution:
  - Ownership
  - Royalties (capped?)
  - Exit fee

# Branch vs. Subsidiary

- Liability
- Local compliance and bureaucracy
- Access to government incentives
- Ownership structure
- Main advantage of a Branch: no dividend withholding

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# Permanent Establishment Considerations

- Time spent (consider secondment)
- Seniority of roles
- Global leadership time spent
- Structure
- Documentation
- Treaties

# Incorporation Process

### Registrar Filing

Submit documents and pay the statutory government fee to the Registrar of Companies. Processing takes 3 to 10 working days.

### Tax Registration

Register with local VAT and Income Tax departments. Set up employer accounts with Bituach Leumi to begin payroll.

### Document Prep

Draft Articles of Association and initial board declarations. Foreign signatures must be certified by an Israeli lawyer or Apostilled.

### Bank Opening

Open a corporate account with an Israeli bank. This requires comprehensive corporate KYC and anti-money laundering clearance.

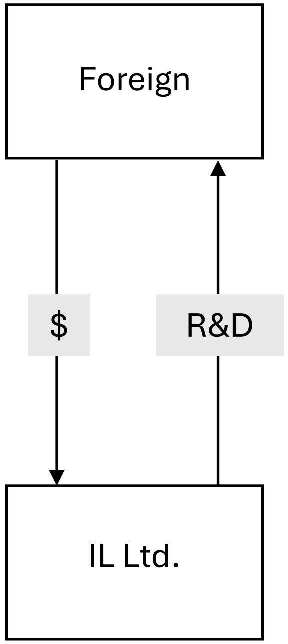
# Initial Incorporation Checklist

- Suggest a company name (three options).
- Prepare incorporation documents:
  - Articles of Association
  - Shareholder resolutions
  - Director appointments
- Register with the Israeli Registrar of Companies
- Obtain company registration certificate
- Open local bank account
- Register with tax authorities
  - VAT and Customs where applicable

# Local Subsidiary Funding Options

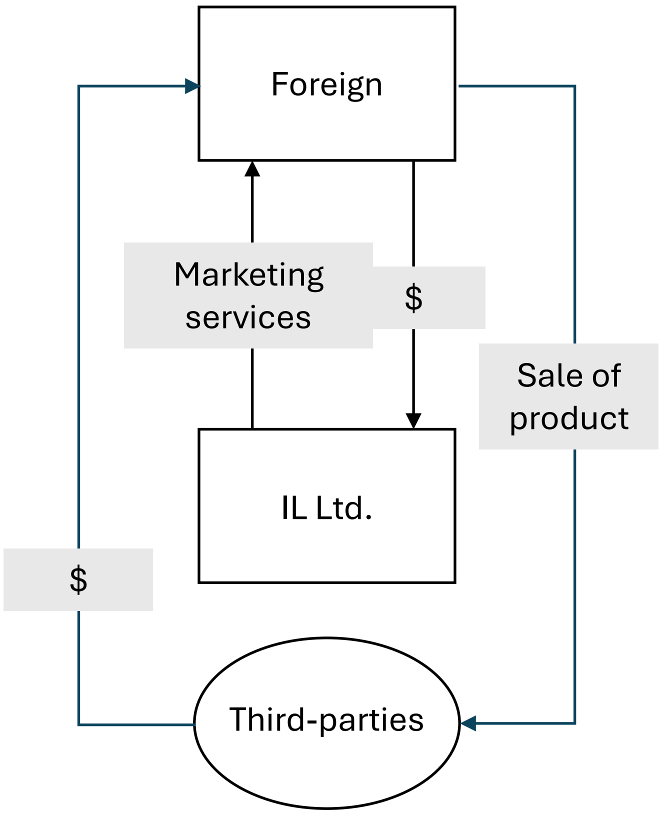
- Capital Injection
- Loan
- Capital Note
- Service fee
  - VAT considerations

# Israeli R&D Services

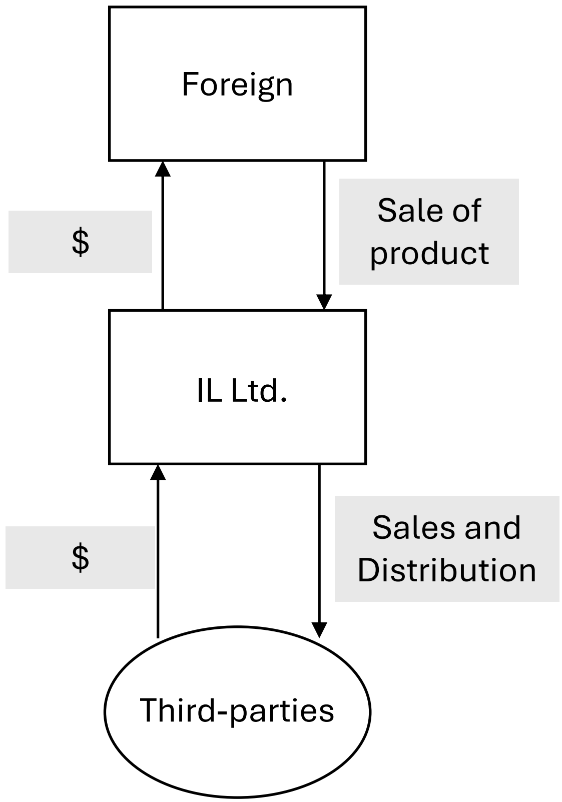



## Where is the IP located? (and why is it important)

# Marketing Services



# Distribution



# Scouting Services vs. Direct Investment

- PE risk
- Criteria
- Decision process
- Formal agreements
- Post acquisition (active vs. observer)

- Intercompany taxation regulation:
  - TP Study
  - ICA
  - Forms

- The risk of non-compliance (double taxation, audits, fines)

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# Thank you!


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