



STATE OF ISRAEL
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

INTERNATIONAL AFFAIRS
DEPARTMENT

November 15, 2009

Press Release

**Finance Committee Approves Proposal to Amend Income Tax Ordinance,
Banning the Deduction of Illicit Payments**

**The Proposed Legislation will further Harmonize Israel's Tax Regulations with
OECD Standards**

The Knesset Finance Committee has approved an amendment to the Income Tax Ordinance submitted by Finance Minister **Dr. Yuval Steinitz** that bans the deduction from a person's taxable income of payments that constitute an offense.

The Finance Minister said: "This is a significant further measure prior to our accession as a member of the OECD, an accession that will place Israel in line with the world's leading economies".

Legal Counsel to the State Revenue Administration, **Adv. Taly Dolan-Gadish**, emphasized to the members of the committee that the Tax Authority has already established professional guidelines which stipulate that sums of money paid as a result of a violation of the law or paid towards penalty payments are forbidden from being declared an expense in the production of income. As a result, bribery-related offenses will not be permitted as a recognized expense for tax purposes.

In order to remove any doubt, the bill proposes that this provision be included in legislation which will explicitly prohibit the deduction as an expense of any payment (whether given as cash or a cash equivalent) where there exists a reasonable suspicion that the granting of such funds constitutes an offense under the law.

This change will harmonize Israeli law with OECD (Organization for Economic Cooperation and Development) regulations which require its members to clearly prohibit the deduction of expenses involved in the bribery of a foreign public official by statute rather than with a general guideline. The OECD Convention on Combating Bribery of Foreign Public Officials in International Transactions is a major OECD policy designed to combat international bribery. The countries signed on to this convention mutually pledge to take action to put an end to the phenomenon of bribery of foreign public officials. Israel, as a member of the working team involved in the matter, is adopting the OECD recommendations and is promoting relevant legislation. The Finance Committee's approval of the bill is another step towards Israel's accession to the OECD.