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How You Can Contribute to Israeli Charities

October 18, 2023

Dear Clients and Friends,

In these challenging times, we have received many inquiries from friends who are seeking ways to assist Israeli charitable causes, as well as the military and police forces in Israel. We have outlined below the various alternatives for pursuing these important and heartwarming activities. **We note that in light of the current difficult circumstances in Israel, we have seen increased tolerance, flexibility and goodwill from the various Israeli regulators. Therefore, if you have a contribution initiative, which does not fall into the traditional structures, please feel free to discuss it with us and we would be happy to explore potential unique solutions.**

Donation to an existing Israeli Non-Profit Organization (NPO)

This is the most common and fastest way to donate funds. When donating to an Israeli NPO, we recommend checking on the *Guidestar* Governmental website <https://www.guidestar.org.il/home> to verify that the NPO you wish to support is a registered NPO that has a proper management approval.

If you wish that your donation will be recognized for tax purposes in Israel, you should make sure that the relevant NPO is recognized as a "Public Institution" under Section 9(2) of the Income Tax Ordinance [New Version] (the "**Ordinance**"), which has been issued a certificate under Section 46 of the Ordinance. This information is also available on the *Guidestar* Governmental website.

If the NPO has a certificate under Section 46, a donor will be eligible to claim a 35% tax credit (or corporate tax rate (currently 23%) in the case of a corporation) of an amount equal to the lesser of NIS 10.02 million (so that the tax credit for an individual will be NIS3.5 million) or 30% of the donor's income in the relevant year. If the amount

donated is higher, the donor can use the excess amount for tax credit in the following 3 years subject to the 30% cap.

NPOs are required to operate within the domain of their registered purposes. Given the current state of emergency, the Israeli Registrar of Associations has adopted a more flexible approach, allowing the NPOs to carry out activities that are beyond the registered purposes, provided that such activities are required for immediate and essential assistance in connection with the war/emergency and are related to the registered purposes. Similarly, the Israeli Tax Authority (ITA) has approved qualifying such donations for tax credit purposes.

There is always an option to donate funds without claiming tax credit and in such case the absence of a certificate under Section 46 of the Ordinance is not relevant.

In large-scale donations, it is recommended to enter into a donation agreement with the NPO to address the matters important to the donor, such as purposes, acknowledgement, reporting, etc.

Donation to an existing US NPO

If you wish that your donation be recognized for tax purposes in the US, you should make sure that the recipient of the donation is a United States corporation, trust, unincorporated association or other type of organization, exempt from federal income tax under section 501(c)(3) of Title 26 of the United States Code. Many Israeli NPOs have US Section 501(c)(3) organizations used by them for fundraising purposes in the US.

Cooperation with existing NPOs and other Organizations

Certain organizations, including NPOs, as well as special donor platforms, offer programs which can be used to implement specific projects, tailor made to the donor's requirements. Among other things, the donor may choose a goal in the scope of the permitted activities of the organization (which, as aforementioned, can be expanded) and allocate the donation to a specific cause or channel donations through such platforms.

Establishment of an NPO in Israel

Establishment of an NPO in Israel and obtaining a certificate under Section 46 of the Ordinance, allowing such an NPO to receive donations, which will be recognized for tax purposes, is a time-consuming process and thus, is not suitable for time-sensitive donations.

Employee Fundraising

In 2012, the ITA published a procedure which allows an employer with more than 50 employees to encourage its employees to make donations to NPOs holding a certificate under Section 46 of the Ordinance, by applying the tax credits to which the employees are entitled for the donation directly through their salaries. The employer can make a matching donation to the NPO and secure a tax deduction in accordance with the rules mentioned above.

Furthermore, we understand that the ITA is currently considering alternatives for allowing employees to donate cash equivalent of their unused vacation days (PTO) on a gross basis, albeit without getting any tax credit for such donations. This matter is still under discussion.

Should you have any questions pertaining to the above, you are welcome to contact the following members of the Meitar team.

This memorandum is provided solely for informational and educational purposes and should not be construed as a legal advice.

Contact Information



Ariel Nissim, Partner
+972-3-6475119
arieln@meitar.com



Eldar Ben-Ruby, Partner
+972-3-6103615
eldarb@meitar.com



Naomi Vestfrid, Senior Associate
+972-2-6511919
naomiv@meitar.com



Dana Yagur, Partner
+972-3-6103152
yagurd@meitar.com



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Meitar | Law offices
16 Abba Hillel Silver Road, Ramat Gan, 5250608, Israel | +972-3-6103100

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