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התנדבות מצילת חיים

אלי ביר, מייסד ונשיא "איחוד הצלה"



תמיכה בתרבות ובאמנות

גיל ברנדס, יו"ר אגודת הידידים, מוזיאון ישראל



תעופה בעידן גלובלי

עופר קיש, מנכ"ל לופטהנזה ישראל

Establishing a Foreign-Owned Business in Israel

Israel's strong and growing economy, bolstered in particular by a robust high technology sector, attracts many foreign companies to establish a formal presence in the country. Large infrastructure projects have attracted major engineering firms, and a significant number of foreign-controlled corporations. This article examines the general legal requirements of establishing a business in Israel.

By: Alon Kaplan, Ph.D, TEP & Meytal Liberman, LL.M, TEP



Alon Kaplan



Meytal Liberman

Options for Activities

Three options are generally available to foreign entities wishing to do business in Israel: (1) opening a branch in Israel; (2) incorporating a subsidiary company in Israel; and (3) establishing a partnership in Israel within the framework of a company.

Opening a branch in Israel

If the foreign business operates in its country of origin as a company, it may open a branch in Israel that will operate under the same name as the foreign company. There may be tax reasons to choose this option.

Generally, any action of this nature requires formal company registration with the Registrar of Companies. Israeli law recognizes the term "Foreign Company", and in accordance with Common Law tradition, which forms the basis of Israeli Companies Law, the foreign company can be registered in Israel and is then, for all intents and purposes, deemed an Israeli company.

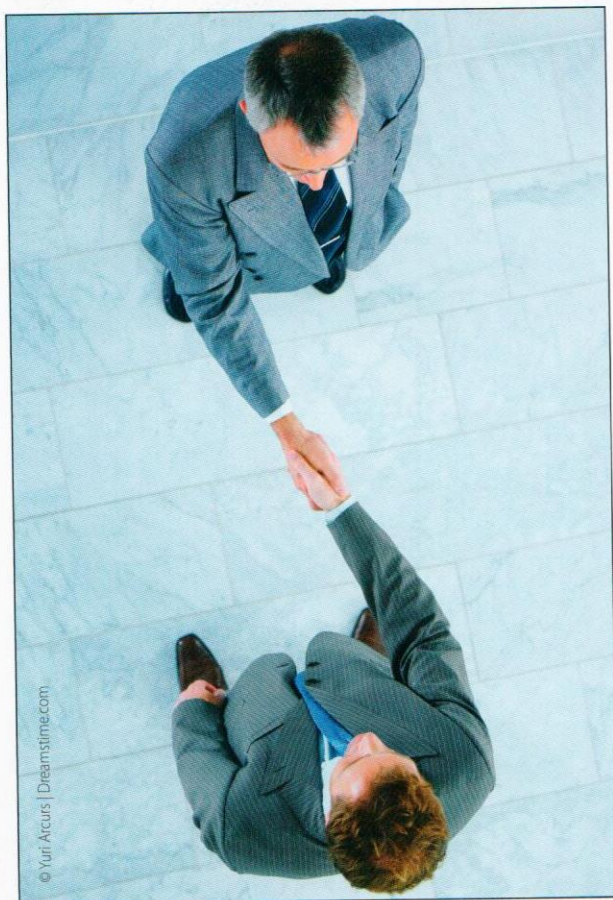
Incorporating a subsidiary in Israel

There are times when tax and other considerations will lead towards incorporation of a subsidiary company in Israel. For example, in certain cases, a double taxation treaty between Israel and the foreign company's home country will grant tax benefits.

There are additional practical reasons for creating a subsidiary in Israel: Where the foreign company wishes to enter into a joint venture agreement with an Israeli partner under a corporate structure, or to separate the obligations of the Israeli business from the assets of the foreign business.

The following are some important aspects relating to the incorporation of a company in Israel:

Company name - Registration of a company is done through a lawyer, or an accountant assisted by a lawyer, at the Registrar of Companies, a unit of the Ministry of Justice. Registration grants the company protection of its name under Israeli Companies Law. It can be prudent to register a trademark with the Registrar of Trademarks in order to further protect the name.



Registering a new company - Unlike Continental Europe, companies are not registered with a notary as Israel's Companies Law is based on the English Companies Act, 1929.

A lawyer will prepare the company's Articles of Association, the document that describes the company's objectives and its internal management and administrative procedures, principally those regarding its shareholders and board of directors. The lawyer will also submit to the Registrar of Companies details regarding the registered address of the company, the directors and shareholders.

The registration process can take a few days if no special problems arise regarding the company's name or its registration documents, whereas if the application is made online, the process can be completed within 24 hours.

Following registration, a Certificate of Registration will be forwarded to the company's lawyer.

Disclosure of information on companies - The Registrar of Companies maintains a public record showing basic information on companies, such as a company's name, the address of its registered office, and its outstanding annual fees. An extract, available upon payment of a standard fee, contains more extensive information about the company, including

names of shareholders and directors, liens or charges against the company's assets, indications of special resolutions that may alter the Articles of Association, and indications of decisions of voluntary liquidation of the company.

Appointments

Appointment of Directors and officers - Under Israeli Companies Law, a company is managed by a board of directors consisting of one or more directors, as decided by the incorporating entity. In most cases, the Articles of Association will contain a clause determining the number of directors who may comprise the board of directors. A legal entity, such as a company, may serve on the board as a director.

There is no mandatory provision in the law for the board of directors to have an Israeli director. A foreign person may serve as a director, even if not resident in the country.

The board has the power to appoint a number of officers who will run the day-to-day business of the company. These officers may be titled CEO, manager, managing director, Chairman of the Board, etc., but in practice, it is not the title that is important, but the nature of the work and the authority granted to the officer by the resolutions of the board.

Private companies in Israel need not have a company secretary, though some companies do appoint an officer with such title.

Appointing an auditor (CPA) - By law, a company must appoint an auditor who will review the company's books. The auditor (a "Certified Public Accountant") is appointed at a shareholders' meeting and is responsible for the preparation of the company's annual audited financial statements, which must be filed with the Israel Tax Authority. Private companies need not file their financial statements with the Registrar of Companies, provided the required provisions are included in their Articles of Association.

Appointing a lawyer - There is no requirement for the appointment of a lawyer. In order to prepare legal documents, however, it will be necessary for the company to use the services of a lawyer, who may also be required on occasion for other aspects of the company's business.

Commencing Business

Preliminary legal and commercial requirements

Whether the foreign company chooses to operate as a foreign company with a branch in Israel, or to incorporate as a subsidiary in Israel, there are a number of legal and commercial requirements that must be undertaken in order to commence

BUSINESS

- ← business activities. There are generally six main requirements:
 - Registering the company with the Israel Tax Authority.
 - Registering the company with the Customs and VAT Authority.
 - Opening an employer file with the National Insurance Institute.
 - Opening a bank account.

Technical Matters

After registering the company, it is necessary to take the following technical/organizational steps:

Corporate letterhead - There is no requirement that a company provide certain information on the company letterhead. The law requires that the company's full name appear on its stationery and it is usual to provide a street or POB address, although this is not essential. It is not customary to stipulate the company's bankers on the letterhead.

Company sign - The law requires a sign in front of the registered office of the company. When the registered office of the company is at the office of a lawyer or accountant, the company's sign is often added to the already existing list of signs placed at the door of the professional's office. The tax authorities also require the company to place a clear sign bearing the company's name on the mailbox at the company's place of business.

Bookkeeping and auditing of accounts - Immediately on commencement of the company's business activities, it is necessary to manage the accounts according to law. An auditor or certified public accountant must be appointed, whose job is to audit the accounts and to prepare a yearly balance sheet. The company's shareholders at a general meeting appoint an auditor who ensures that the company's accounts are properly managed.

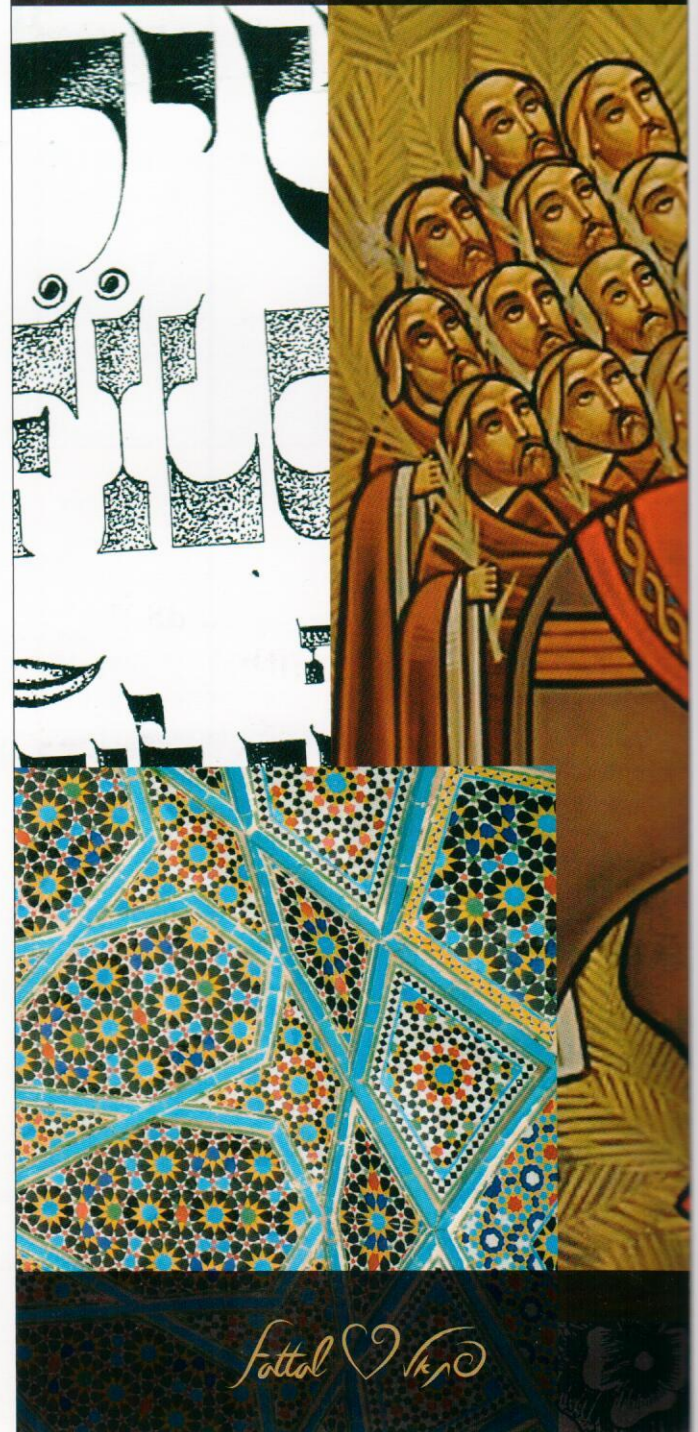
Conclusion

After almost 70 years of statehood, Israel is today a modern and dynamic industrial and commercial country brimming with potential. The foreign company that, prior to investing, avails itself of the many opportunities and uses the appropriate local resources, including professionals such as lawyers, accountants, economists, land appraisers and engineers, can make a very successful entry into the Israeli business world.

Starting and operating a business in Israel is a regulated procedure with legal and tax consequences. Additional issues of Intellectual property, trademark registrations and similar considerations may require special attention. Advice of professionals is required and recommended.

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