



## **PURCHASING PROPERTY IN ISRAEL**

Unlike other countries which may have a standard procedure for the buying property, in Israel almost everything is up for negotiation. From the dates and times of the payments to the length of time between exchange and completion, all these issues need to be resolved before you can purchase your property in Israel.

Once you have found a property to purchase and agreed a price with the sellers, a draft contract will be prepared by the sellers' lawyer and we will obtain the documents needed to prove the legal status of the property. The property may be registered or unregistered, freehold or leasehold, and the registration may be managed by a government institution, a public organisation or a private developer. All this must be clarified. In addition, if there are building irregularities, outstanding liabilities or unpaid taxes on the property, you will not be able to register the property in your name. You need to make sure that you have all the necessary information before you sign the contract.

After the searches have been made, the details agreed and you are satisfied with the conditions of purchase, a binding agreement will be signed. The first payment is made on signing but you should ensure that the sellers do not get the money until your interest in the property has been protected - either by registration of a restriction at the Land Registry or, if the property is not registered (for example if you are buying an apartment not yet built), with an alternative form of security from the seller - usually in the form of a statutory bank guarantee.

The purchase price is usually paid in installments over several weeks or months against receipt of documents from the seller showing that s/he has complied with his or her obligations under the contract or, if the property is being built, against progress with the construction work. If the seller has a mortgage on the property, this will need to be transferred or paid off against the earlier installments, particularly if you are also taking a mortgage to finance the purchase. If you will be taking out a mortgage, the various administrative requirements of the bank must be complied with in good time to allow for the funds to be available when needed. This can take around six weeks to organise, so don't leave it to the last minute. We can provide further information and introductions to lenders, should you wish.

To facilitate payments from abroad, our office can open a designated client account in which you can deposit money in any of the main currencies. We will then supervise the various payments, once we have verified that the seller has fulfilled his/her obligations. The account may also be used to make other payments associated with the purchase.

The final payment should be made only when you take possession of the property and once you receive confirmation that the seller has paid all the government and municipal taxes due on the property, that there are no outstanding debts on the property and on receipt of all the other documents required to transfer the registration of the property into your name. On the date of this final payment, either you or someone on your behalf (our office, if you wish) will need to carry out a final inspection of the property, read the meters and then deal with the transfer of the various utilities into your name.



## **Tax:**

Acquisition Tax is payable on the purchase of property in Israel. This is a graded tax and is assessed on the amount of the purchase price in shekels on the date of purchase. The buyer must file a self-assessment with the tax authorities within 30 days of signing the purchase contract and pay the tax within 60 days. The amount of tax will vary depending on whether this is your first purchase in Israel or if you already own another property. There are also various exemptions and reductions which can be applied for (for example, by new immigrants or by those with a disability) which should be considered.

In addition it should be borne in mind that funds will need to be available for other costs including agents' fees, registration costs and rates, utilities and management fees on the property. Once you have taken possession of the property, you will be responsible for paying all ongoing bills and, if it is a condominium, management fees on the property.

## **Registration**

The final stage of the transaction, after completion, is to register the property in your name, which can take anything from a few days to a few months depending on the type of registration involved.

If the property is registered at the Land Registry, it can be transferred into your name after completion, once the documents required are received from the seller. In order to transfer ownership of property in Israel, both parties must show that they have paid all the taxes and levies which form part of the sale.

If the property is unregistered (for example, if not yet built or only recently completed) your interest will be recorded with whomever manages the registration and there will be a further process of registration at the Land Registry at some point in the future, but this may take months or even years.

This fact sheet is presented as a general information service only and does not constitute legal or financial advice. You should obtain specific advice before taking (or deciding not to take) any action. Please contact us for further information.