



## **Gifts Residential Property in Israel to Family Members**

If you are not tax-resident in Israel, life-time transfers of residential property between family members are taxable transactions, even if the transfer is in the form of a gift for no consideration. A gift of an apartment or house from a parent to a child, from a child to a parent and even between spouses, when the parties to the transaction are resident outside Israel, is subject to property tax.

The person making the gift may have an exemption from tax if the recipient of the gift falls within the tax authority's definition of a close family member. However, the recipient of the gift will be taxed on the market value of the gift at the rate of one third of the purchase tax which they would pay if purchasing the property on the open market.

The current purchase tax rates in Israel for foreign tax residents (correct to December 2023) are 8% on the first 5,872,725 million shekels of the value of the property and then 10% on the balance (based on the market value of the property). The recipient of the gift will therefore pay one third of this tax on any property they receive.

Conversely, if the recipient of the gift is an Israeli tax resident who does not own any other residential property in Israel, this may mean that no tax at all is payable on the transaction. An Israeli tax resident who does not own a residential property (and in certain other limited situations) would pay 0% tax on the first 1.919 million shekels of the total value of a property. If the recipient of the gift is eligible for this rate of tax, and the value of the property does not exceed this limit, then the transaction will be exempt from tax.

Both parties to the transaction will need to sign affidavits to confirm that the transfer of the property is a gift for no consideration and, as with all property transactions in Israel, certification from the tax authority will be required before the transaction can be registered at the Land Registry.

On a sale of the property, the acquisition date and price for calculating the capital gain will be the the date and price purchased by the person making the gift (there is no step-up at the date of the gift).

Although life-time transfers are taxable, there is no inheritance or estate tax in Israel and transfers of property on death are not taxable. Transfer of property in the context of a divorce is not taxable in Israel and transfers between a trustee and a beneficiary may also be exempt.

However, as a general rule, gifts of residential property between family members are taxable transactions in Israel.

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.