



CWalsh

GIFTING RESIDENTIAL PROPERTY TO FAMILY MEMBERS

Overview

Transferring residential property to family members during your lifetime—whether as a gift or otherwise—is considered a taxable transaction under Israeli law, unless specific exemptions apply. This applies even when no money changes hands. Understanding the tax implications is key to making an informed decision.

Gifts Involving Non-Residents

If you are not tax-resident in Israel, any gift of residential property to a close family member (such as a child, spouse, or parent) will attract purchase tax for the recipient. The donor may be exempt from tax but the recipient will be taxed at one third of the regular purchase tax based on the market value of the property.

Until 31.12.2025, foreign tax residents pay:

- 8% on the first ₪ 6,055,070 of the property's value
- 10% on the balance

The tax is calculated on the value of the entire property, with the recipient paying one third of the proportional amount for the share of the property they receive. This can represent a significant cost, even for intra-family transfers.

Gifts to Israeli Tax Residents

If the recipient of the gift is an Israeli tax resident and does not own any other residential property in Israel, the transaction may be exempt from tax. Israeli residents purchasing their first home are eligible for a 0% purchase tax rate on the first ₪1,978,745 of the property value. If the total value of the property falls below this threshold and the recipient qualifies for the exemption, the transfer may be exempt from tax.

Over and above this, the recipient will be taxed at one third of the purchase tax levied on the purchase of a first residential property, based on the market value of the property.

Documentation and Process

Both the donor and recipient must sign formal affidavits confirming that the transaction is a genuine gift and that no consideration has been paid. In addition, all property transactions in Israel, including gifts, require confirmation from the Israel Tax Authority before they can be registered at the Land Registry. Confirmation that there are no outstanding debts on the property is also required from the local municipality.

Future Capital Gains Tax Implications

Although the transaction is treated as a gift, the acquisition date and purchase price for calculating any future capital gains tax will be the original date and price paid by the donor. There is no 'step-up' in basis upon gifting.

When Tax Does Not Apply

There is currently no inheritance or estate tax in Israel, so transfers upon death are not taxable. Similarly, property transfers that take place within the context of a divorce or between a trustee and a beneficiary may be tax-exempt.

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.