
ISRAEL 2008

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1. Overview of the tax-benefit system

National Insurance

The National Insurance Institute of Israel (NII) is the national institution of social security, operating under the National Insurance Law passed by the Parliament in November 1953.

The main role of the NII is to ensure a means of subsistence to those Israeli residents who cannot earn a living on their own. The NII is the main instrument for reducing poverty; it contributes substantially to the reduction of economic gaps in Israel and guarantees social and economic protection to every resident and family at times of temporary or prolonged distress. The social security is provided by means of about a hundred different benefits paid by the NII to persons entitled to them under the law, as well as by means of rehabilitative and social services.

The NII collects insurance premiums, or contributions, from all residents aged 18 or over in accordance with their income (from wages or other sources) and status: employer, employee, self-employed or non-working. In addition, as of January 1995, the NII is responsible for collecting health insurance contributions under the National Health Insurance Law and distributing them to the various sick funds.

All residents of Israel are covered by the NII, and the main social security benefits paid may be divided into the following categories:

1. Benefits given due to physical (health) condition: Long-term care, Disability, Mobility, Work injury, Accident injury, Hostile action casualties, Domestic violence, Radiation, Transfusion-acquired HIV, Polio victims;
2. Benefits given due to employment condition: Income support, Unemployment; Rights of volunteers;
3. Benefits given due to family situation: Survivors, Alimony, Children, Maternity;
4. Other benefits: Old age, Prisoners of Zion and Martyrs, Righteous gentiles, Reserve service, Bankruptcy or Liquidation of companies.

This document does not refer to all the above benefits, but rather only to those relevant to the questionnaire.

General information:

1. Basic amounts:

As of January 2006, most national insurance benefits, the value of which had been frozen in the framework of the Economy Arrangement Laws for 2002 and 2003, again became adjusted. However, from this date they are calculated according to the *basic amount*, rather than according to the average wage, as previously. The basic amount is updated on the 1st of January of every year at the rate of the rise on the cost-of-living index in the previous year. The basic amount is actually composed of three different sums for the various types of benefits, and was increased by 2.7% in January 2006.

In January 2008 the sums are:

Basic amount [1]	Basic amount [2]	Basic amount [3]
7,443 NIS	152 NIS	7,352 NIS
Grant following decease Bar Mitzvah grant Long-term care benefit General disability pension Maternity grant Maternity allowance Work injury benefit Accident injury allowance Volunteers' benefit	Child allowance	Other benefits Calculation of maximum income for purposes of contribution

1. Average wage:

The reference in this document is to average wage according to the National Insurance Law.

In January 2008 this average wage is 7,663 NIS. Using version of ISIC 3, B-I industries (the very close equivalent of C-K industries in ISIC 3.1), in that year, the average worker in Israel earned 9363 NIS per month (annual amount: 112,356 NIS).

1.1. Average Worker's wage (AW)

The data are available until 2007:

Average monthly gross earning per person (35 hours and more, and 24 hours and more for teachers) employed by activities for the years 1997-2007 current prices⁽¹⁾

Activities	Branch	Gross monthly income (NIS)										
		2007	2006	2005	2004	2003	2002	*2001	*2000	*1999	*1998	*1997
A	Agriculture	5,678	6,434	5,675	6,120	6,232	6,173	5,065	4,760	4,805	5,560	3,500
B	Manufacturing	9,524	8,795	8,635	8,550	8,497	8,276	8,314	7,493	7,287	6,376	6,000
C	Electricity and water supply	13,156	12,890	12,339	11,676	10,956	13,000	11,603	10,697	11,434	8,995	9,000
D	Construction (building and civil engineering projects)	6,758	5,952	6,081	6,172	6,352	6,201	6,625	6,056	5,461	5,326	4,700
E	Trade and repair of vehicles and other repairs	7,382	6,693	6,519	6,409	6,410	6,575	6,644	6,242	5,715	5,555	5,000
F	Accommodation services and	5,520	5,211	5,007	4,969	5,159	5,130	4,600	4,905	4,154	3,919	3,600

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	restaurants											
G	Transport, storage and communications	8,410	8,190	8,600	8,538	8,094	8,538	8,309	8,048	7,841	7,373	6,8
H	Banking, insurance and other financial institutions	12,624	11,997	11,616	10,657	10,768	11,013	10,460	10,611	10,314	9,775	8,7
I	Business services	11,013	10,218	10,165	9,188	9,583	10,079	9,244	9,694	8,264	7,605	7,2
J	Public administration	10,912	10,683	9,717	10,565	9,677	9,682	9,678	8,943	8,891	7,820	7,4
K	Education	7,481	6,896	7,101	6,975	6,862	7,158	7,084	7,175	7,257	6,507	6,4
L	Health, welfare and social services	8,853	8,461	8,245	8,400	8,525	8,518	8,181	7,902	7,116	7,167	7,1
M	Community, social, personal and other services	7,579	7,519	7,467	7,145	6,582	6,771	6,760	6,404	6,555	5,941	5,7
N	Services for households by domestic personnel	3,598	3,922	3,336	3,284	3,640	3,589	3,128	3,254	3,060	2,544	2,7
C-I	Electricity to business services	8,856	8,307	8,233	7,866	7,831	8,180	7,881	7,736	7,048	6,588	6,0

(1) Source: the Israeli Central Bureau of Statistics

* For the years 1997-2001 including persons who worked 35 hours and more, excluding teachers.

2. Unemployment benefits

Every Israeli resident who is an employee, at the age of 18 or over and under the *retirement age* as defined by law, is covered in unemployment insurance.

There is a monthly unemployment benefit, as well as a few grants given to special groups. There are specific conditions for receiving those grants, detailed as "particular groups" in each chapter.

The grants given are:

- Person working in low wages
- Person in vocational training.
- Daily unemployment benefit to unemployment person referred to working at "*unsuitable*" work

General definitions:

Work is considered *suitable work* if it meets these 3 conditions:

- a) A type of work at which the unemployed person worked in the 3 years preceding his unemployment, or any other work suiting the persons professional training, education level and health condition;
- b) The wages of the work offered are at least equal to the unemployment benefit which would be due to him, were he entitled to it;
- c) The work offered does not require a change in residence (according to the rules which have been determined).

Determining date: The 1st of the month in which the unemployed period began, on condition that at least 12 months have elapsed from the first of the month in which the previous unemployment period began.

2.1 *Conditions for receipt*

- Registration at a labour exchange as lacking work, and being ready and able to work at any *suitable work*, and the labour exchange has not offered such work;
- Age 20 to *retirement age*;
- Fulfilment of a minimum period of insurance.
- Person working at low wages:
 - An unemployed person.
 - Up to age 35
 - Was referred to work at wages lower than unemployment benefit due to him.
 - Worked at this work for at least 75 days.
 - 14, 30 or 60 days (according to age) have passed from the beginning of his unemployment.
 - Did not use up the maximum period for payment of unemployment benefit.

An unemployment person aged 35 or over in the same position will also receive this supplementary grant, but in his case the days for which he receives the grant are taken into account in the maximum period of payment of unemployment benefits.

- A person in vocational training
- The daily unemployment benefit to unemployment person referrer ones working at "unsuitable" work: This benefit is given to an unemployment person over 35 years of age, as well as to a younger unemployed person for the first 60 days after the beginning of his unemployment.

2.1.1 *Employment conditions*

- Unemployment benefit qualifying period:
 - 360 days for which insurance contribution were paid out of 540 days prior to *determining date*
 - For daily employee: 300 days of the above out of 540 days.

2.1.2 *Contribution conditions*

Insurance contributions:

	<u>Full rate</u>	<u>Reduced rate¹</u>
Employee	0.21%	0.01%
Employer	0.04%	0.03%
Government:		
For employee	0.06%	0.06%

The Ministry of Defense finances the cost of the unemployment benefit to *demobilized soldiers* released from the standing army.

In Israel young people at the age of 18 must serve in the Israeli Defense Forces (IDF). The duration of service is at least 2 years. According to the *Demobilized Soldiers Law*, soldiers released from the army, after fulfilling their army duties, are entitled to several benefits. Those benefits will usually be detailed in this document as “particular groups” at each chapter.

All income of workers, including convalescence grant, vehicle maintenance and telephone expenses, is liable for insurance contributions.

Insurance contributions are paid on income that is not higher than the ceiling that has been determined. The monthly income ceiling for contribution purposes is equal to five times the *basic amount* [3] (basic amount: 7,352 NIS in January 2008), for all insurance person and employers (in January 1, 2008 –36,760 NIS per month).

2.2 Calculation of benefit amount

2.2.1 Calculation of gross benefit

The benefit is calculated on the basis of daily average wage of the unemployed person during the last 75 workdays of qualification period. For the first 125 days of payment in the unemployment year, the daily unemployment benefit may not exceed the daily average wage. Beginning with the 126th day of payment, the daily unemployment benefit shall not exceed 2/3 of the daily average wage.

Gross salary subject to insurance contributions (NIS)		For those below the age of 28			For those 28 years of age or older		
		Monthly	Daily	Unemployment benefit as percentage of salary	Unemployment benefit per day (NIS)	Unemployment benefit per month (based on 25 days)	Unemployment benefit as percentage of salary
3,000	120	72	1,800	60%	96	2,400	80%
4,000	160	93.40	2,335	58%	124.10	3,103	78%
5,000	200	109.40	2,735	55%	144.10	3,603	72%
6,000	240	124.42	3,111	52%	163.13	4,078	68%
7,000	280	138.43	3,461	49%	181.13	4,528	65%
8,000	320	149.83	3,746	47%	195.23	4,881	61%
9,000	360	159.83	3,996	44%	207.23	5,181	58%

¹ Reduced rates of insurance contributions are paid on the share of income that is up to 60% of the *average wage*. The regular rate is paid on the remaining share of income.

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10,000	400	169.83	4,246	42%	219.23	5,481	55%
11,000	440	179.83	4,496	41%	231.23	5,781	53%
12,000	480	189.83	4,746	40%	243.23	6,081	51%
13,000	520	199.83	4,996	38%	255.23	6,381	49%
14,000	560	209.83	5,246	37%	267.23	6,681	48%
15,000	600	219.83	5,496	37%	279.23	6,981	47%
16,000	640	229.83	5,746	36%	303.23	7,281	46%
17,000	680	239.83	5,996	35%	306.52*	7,581	45%
18,000	720	249.83	6,246	35%	306.52*	7,663	43%
19,000	760	259.83	6,496	34%	306.52*	7,663	40%
20,000	800	269.83	6,746	34%	306.52*	7,663	38%
22,000	880	289.83	7,246	33%	306.52*	7,663	35%
23,000	920	299.83	7,496	33%	306.52*	7,663	33%
24,000	960	306.52*	7,663	32%	306.52*	7,663	32%
25,000	1,000	306.52*	7,663	31%	306.52*	7,663	30%

- * Maximum daily unemployment benefit – NIS 306.52 for the first 125 days of payment. As of the 126th day of payment, the maximum is NIS 204.35. Person working at low wages: payment calculated for every day at the rate of the difference between actual wage and 75% of the wage, which served as the basis for calculating the unemployment benefit.
- A person in vocational training. An amount equivalent to the difference between the payment given him during training, and 70% of the unemployment benefit to which he would have been entitled had he been unemployed.
- Daily unemployment benefit to unemployment person referred to ones working at "unsuitable" work: Payment at the rate of the difference between the average daily income from the work and an amount equivalent to the unemployment benefit or an amount equivalent to 75% of the average daily wage which served as the basis for calculation of the unemployment benefit – if the latter difference is higher.

2.2.2 *Income and earnings disregards*

For a person receiving an old-age pension, the entire pension is deducted from the unemployment benefit due him.

2.3 *Tax treatment of benefit and interaction with other benefits*

The income taxes on the unemployment benefit are at the rate of the parallel income amount received from work.

National Insurance is deducted from this benefit at the minimum rate of 18 NIS per month (as of 1.1.2008).

Health insurance is deducted from this benefit at a rate equivalent to that deducted from income from work.

2.4 *Benefit duration (maximum)*

- 100 days for an unemployed person in a 12-month period, including the month for which unemployment benefit was paid (*see also: particular groups*);
- 175 days for an unemployed person aged 35 to 45 with at least 3 dependents;
- 138 days for an unemployed person under 35 with at least 3 dependents and for an unemployed person aged 35 to 45 without 3 dependents;

Within a 4-year period, an unemployed person under the age of 40 shall not be paid an unemployment benefit for a period exceeding 180% of the maximum period to which he is entitled. The rate of the unemployment benefit for additional period (beyond 100% of the maximum period) shall not be over 85% of the unemployment benefit to which he is entitled.

- Person working at low wages The grant is paid for the maximum period of 150 work days, in 2 payments: the first after 75 work days and the second after every additional 25 work days.
- A person in vocational training, Maximum period of payment under the law. For a person with less than 12 years of schooling receives benefit for up to 138 days even if his maximum period less then 138 days, up to the maximum period for payment under law.
- Daily unemployment benefit to unemployment person referred to ones working at "unsuitable" work: for the first 60 days after the beginning of his unemployment.

2.4.1 *Waiting period before benefit can be received*

Unemployment benefit is not paid for the first five unemployment days in each period of four consecutive months from the *determining date*.

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

- **The qualifying period** for minors is 100 days for which insurance contributions were paid out of the 360 days prior to the *determining date*.
- **Benefit duration:**
 - 67 days for an unemployed person aged 25 to 28;
 - 50 days for an unemployed person under 25 without 3 dependents.

Grants for minor aged 15-18 who took part in vocational training during the period of his unemployment, and if no suitable work training was found for him, on condition that he worked previously and participate in the support of his family at a scope of at least 20%. **The amount is calculated** by the rate of participation in supporting parents and to wages during the qualifying period, within the limits of half the *average wage*.

2.5.2 *Older workers*

- **Benefit duration:** 175 days for an unemployed person aged 45 or over.

2.5.3 *Others if applicable:*

a. Demobilized soldier:

The minimum daily unemployment benefit for a demobilized soldier is determined on the basis of the daily average wage, calculated as 60% of half the *basic amount* [3] (basic amount: 7,352 NIS in January 2008), but no more than 80% of the minimum wage.

Furthermore, a demobilized soldier who works at a job recognised as a *preferred/required* job (at unsuitable work) may be eligible for a **grant** at the rate of half the unemployment benefit due him for a period of 138 days.

Those who work in an industrial factory or in a workshop – eligible for a unemployment grant at a rate of 80% of the full grant.

Demobilized soldier who worked at a job recognised as a *preferred/required* job that fulfils certain conditions (detailed in the “National Insurance programs in Israel” p.35) is entitled to partial grant.

The amount is calculated by the relative part of the full grant in accordance with the number of workdays at the *preferred/required* job, out of the 150 days entitling one to the full grant. The grant is tax deductible and treated as an income by the Income Tax Authority.

Benefit duration: 70 days

- b. Following decease:** to widow of person (or in absence thereof, to his child) who had received an income support benefit in his lifetime – a lump-sum grant of an amount equivalent to the *basic amount* [1] –as it was 1st January (7,443 NIS).

3. Unemployment assistance

There is no distinct unemployment assistance benefit in Israel.

4. Social assistance

Income support benefit: A benefit paid to a person who is not capable of providing himself by means of income from work, and who is not eligible for payment from any other source. A partial benefit (income supplement) is paid to a person whose income from work or from any other source is lower than the minimum income level for subsistence, determined by law.

4.1 Conditions for receipt

- Continuity of residence: Israeli resident for 24 consecutive months preceding the submission of claim;
- Aged 20 and over;
- The incomes of claimant and spouse are lower than the minimum level determined in the law;

- In most cases, registration at the labour exchange as a job seeker, or cooperation with the Occupation Center in the experimental areas of the "Lights to Occupation" Project.
- The employment test is required for a person claiming the benefit and his spouse, who are one of the following:
 - **Unemployed** and registered with the Employment Service, from which he is requesting work under the rules determined by the Employment Service and which has not offered him to any work suited to his health and physical condition, or which referred him to vocational diagnosis and rehabilitation.
 - A person who refuses to accept work offered to him or refuses to cooperate is not entitled to benefit for two months
 - A person receiving an unemployment benefit which is lower than the amount of the income support benefit is entitled to an income supplement, provided that he also reports to the income support section of the Employment Service and is prepared to take any work that is offered to him.
- The employment test for the income support benefit applies to the claimant and his spouse. If the spouse does not satisfy the employment test, there is no entitlement to benefit. It should be noted that there are persons exempt from the employment test, such as a mother of a child up to two years old.

4.2 Calculation of benefit amount

The income support benefit has a number of rates. Each rate can be paid fully (*income support*) or partially (*income supplement*). Following are the various benefit rates as percentage of the *basic amount* [3] –7,352 NIS.

4.2.1 Calculation of gross benefit

For those under the age of 55:

Who had been entitled to regular rate in December 2002 or who began receiving benefit in January 2003: single person - 20%; single person with one child (not defined as "Single Parent" in "Single Parent Family Law") - 30%; single person with two or more children – 33.5%; couple – 27.5%; couple with one child - 30%; couple with two or more children – 33.5%.

Who had been entitled to increased rate in December 2002: single person – 22.5%; single person with one child (not defined as "Single Parent" in "Single Parent Family Law") – 33.5%; single person with two or more children – 37.5%; couple – 30%; couple with one child – 33.5%; couple with two or more children – 39%.

4.2.2 Income and earnings disregards

Maximum income for entitlement to benefit: single, 2483 NIS; couple, 3425 NIS; couple with two children, 4477 NIS, lone-parent with two children, 5548 NIS.

The amounts of income support benefit alter in the presence of earnings **above** the specified limits. The withdrawal rate is between 60%-70%, depending on the family composition and type of benefit.

Newly entitled and persons entitled to regular rate before 2003	Previously entitled - entitled to increased rate	a person under 55
30%	32.5%	individual
30%	30.0%	individual with one child
30%	30.0%	individual with two or more children
30%	32.5%	couple
32.5%	32.5%	couple with one child
37.5%	37.5%	couple with two ore more children
40%	40.0%	widow or single child with one child
40%	40.0%	widow or single child with two or more children
30%	30.0%	one orphan from both parents or abandoned child
30%	30.0%	two orphans or two abandoned children
40%	40%	a person aged 55 or over (all family compositions)

4.3 Tax treatment of benefit and interaction with other benefits

Health insurance is deducted from this benefit at the minimum rate of 88 NIS per month (starting 1.1.2008).

4.4 Benefit duration

For an unlimited time, as long as the conditions of entitlement to benefit are fulfilled.

4.5 Treatment of particular groups

4.5.1 Young persons

For those under the age of 25 who are not defined as one of the exceptions set down in the law: the benefit rate is 80% of the rates listed above in (see 4.2.1.)

4.5.2 Older workers

For those aged 55 and over:

The increased rate is paid: single person – 25%; single person with one child (not defined as "Single Parent" in "Single Parent Family Law") – 37.5% (less one *basic amount* [2] (basic amount: 152 NIS in January 2008), *of – child allowance*); single person with two or more children – 43.5% (less one *basic amount* [2] *of – child allowance*); couple – 37.5%; couple with one child – 43.5%; couple with two or more children – 49.5%.

Who had been entitled to increased rate in December 2002: single person – 22.5%; single person with one child (not defined as "Single Parent" in "Single Parent Family Law") – 33.5%; single

person with two or more children – 37.5%; couple – 30%; couple with one child – 43.5%; couple with two or more children – 49.5%.

4.5.3 Others if applicable

a. New immigrants: Conditions for receipt: 12 accumulative months of residence preceding the submission of claim.

b. Widows, separated persons and single parents:

Under the age of 55: with one child – 33.5%; with two or more children – 39%.

For those aged 55 and over: with one child – 42.5% (less one *basic amount* [2] (basic amount: 152 NIS in January 2008),; with two or more children – 52.5% (less one *basic amount* [2]).

c. Rate for children: orphan or abandoned child – 25% (less one *basic amount* [2]); two children – 37.5% (less two *basic amounts* [2]). Each additional child – 10%.

d. Young persons under the age of 20 are entitled to the benefit as one of the exceptions set down in the law, such as a parent of a child in his custody, or pregnant and not living with parents provided that one of them receives an income support benefit, an orphan or an abandoned child.

e. The following may be entitled at the age of 18 or over: those who lack the capacity to work due to illness, released prisoners, prisoners working at service jobs, persons in severe distress.

f. Following deceased: to widow of person (or in absence thereof, to his child) who had received an income support benefit in his lifetime – a lump-sum grant of an amount equivalent to the *basic amount* [1] – 7,443 NIS as it was 1st January.

g. Alimony/child support payments: for purposes of the income support benefit, the amounts of alimony or child support are deducted from the amount of the income of a person who pays alimony or child support under a court judgment to a wife or child not living with him. However, the deducted amount may not exceed the income support benefit due to him according to the composition of his family.

Source:

<http://www.btl.gov.il/English%20Homepage/Benefits/Income%20Support%20Benefit/Pages/Who%20is%20eligible%20for%20income%20support%20benefit.aspx>.

5. Housing benefits

The housing benefits are under the authority of the Ministry of Construction and Housing

- A. Public housing: An "inventory" of apartments that belongs to the state for the use of those in need. The public housing benefit provides the apartments with subsidized rent.
- B. Assistance with paying the rent – a grant given to individuals under specific rules determined by the Ministry of Construction and Housing.

5.2 Conditions for receipt

All housing benefits are subject to a "credit system" which ranks the eligibility for the housing benefit (credit points of entitlement).

A. Public housing: The inventory of apartments in public housing is very limited, therefore the eligibility for this benefit is for persons who are in a state of economic or functional stress:

- An individual or a family, who do not share rights partially or completely, of an accommodation - existing or in building process.
- Holds a certificate that he is lacking an apartment.
- Families that:
 - Both parents accumulated at least 1400 "credit points".
 - Have 3 or more children.
 - Their income is lower than an amount determined by law.
 - They utilize their full earning capacity.

B. Assistance with paying the rent:

- An individual or a family, who do not share rights partially or completely, of an accommodation - existing or in building process.
- A person who has an apartment, which is registered on his name under the following conditions:
 - The apartment is not available to him;
 - A family member is living in that apartment;
 - The family member did not have any other apartment registered in his name;
 - The family member did not get any assistance for housing.

5.2 Calculation of benefit amount

The benefit amount is calculated by "grade": the number of "credit points" that each person accumulates.

The "grade" is determined by several parameters: family situation, number of children in the family, other benefits given to the family, age, income, benefits for particular groups, and living areas.

Calculation of gross benefit

- A. Public housing: provides accommodation for those who fulfill the conditions (as mentioned above).
- B. Assistance for paying the rent:

 The benefit is calculated according to several parameters: those parameters determine the amount given for assistance for paying the rent.

The parameters include:

- Residence area: Those who do not live in *national preferred area* are entitled to higher amount of the benefits according to the higher rent required in these areas.
- Family situation: couples, lone parent, number of children
- Age
- Number of children
- Income benefits given to the entitled person. The benefits included are: disability benefits, unemployment assistance, income supplement + pension benefits and earning incapacity.
- Those who received the assistance before 1.6.2002 and those who receives the benefit after 1.6.2002.
- Income test – for those that do not receive existence benefit
- An increased rate of 10% is given to holocaust survivors, second world war veterans or Chernobyl nuclear reactor neutralizers

Calculation of assistance with paying the rent:

The rates of rent assistance are (min-max):

For non-immigrant families, living from non-ability of earning at all areas: 950-1,170 NIS.

For non-immigrant families, in national preferred areas: 392-1,044 NIS.

For non-immigrant individuals, in national preferred areas: 465-763 NIS.

Most of the assistance with paying the rent is given to those who do not live in *national preferred area* there for the amount given is for those areas alone:

Category		2008 (NIS)	2009 (NIS)
Individuals:	With earning incapacity at a rate of 75% and over	650	763
	Elderly person receiving income supplement benefit living alone	763	
	Elderly immigrants receiving income supplement benefit living with or at family members housing	661	
	Aged 55+ receiving income supplement benefit	580	
Couples with no children	With earning incapacity at a rate of 75% and over	950	1,004
	Elderly person receiving income supplement benefit living alone	1,004	
	Elderly immigrants receiving income supplement benefit living with or at family members housing	883	
	immigrants receiving income supplement benefit (received	759	

	the benefit before or after 1.6.2002 receiving regular rate of income supplement benefit)	
Couples with children	With earning incapacity at a rate of 75% and over	1,170
	Aged 55+ receiving income supplement benefit (received the benefit before or after 1.6.2002 receiving regular rate of income supplement benefit)	857
	Under the age of 54 that received the benefit before 1.6.2002 and receiving regular rate of income supplement benefit	
	Under the age of 54 that received the benefit after 1.6.2002 and receiving regular rate of income supplement benefit	774
	Their income from wage under the income level credit	600
	Their income from wage is under 25% above the income level credit	450
Lone parent families	With earning incapacity at a rate of 75% and over	1,170
	Elderly parent with one child / parent at the age of 50 or more with 2 children / parent at the age of 45 with 3 children	1,088
	The parent is an immigrant receiving income supplement benefit at the first year of residency	1,044
	Aged 55+ receiving income supplement benefit received the benefit before or after 1.6.2002 receiving regular rate of income supplement benefit	857
	Person receiving the benefit after 1.6.2002 and receiving income supplement benefit	774
	Their income from wage under the income level credit	600

*The information above *does not* include *all* categories, as for example: families with 4 children or more receive higher assistance' and as mentioned there are person entitled to additional rate of 10% above the assistance as determined under the basic law This benefit is calculated according to several parameters: those parameters determine the amount given for assistance for paying the rent.

The parameters include:

- Income benefits given to the entitled person. The benefits included are: unemployment assistance, social assistance, income supplement, and earning incapacity.
- Income test: the maximum wage in which the person is entitled to the benefit is as follows. (Values in parenthesis are for 2009):

Entitled group	Grade 45 (In NIS)	Grade 46 (In NIS)	Grade 47 (In NIS)
Couple	3,795 (3,804)	4,744	
Couple with children	4,213 (4.185)	5,266	

Couple with 2 or more children	4,802 (5,123)	6,003	
Lone-parent family			6,003 (6,643)

The grade is given according to the following parameters

- Family situation: couples, lone parent, number of children
- The number of people living in the apartment (crowding).
- Residence area: Israel government is trying to encourage living in special areas. Those who live in those areas are entitled to benefits, including housing benefits. Those areas are called *national preferred areas*. The *national preferred areas* are divided into three areas: A, B and C. The grade given to each of those areas determines the rate of the benefit.

5.2.2 *Income and earnings disregards*

- At least one spouse works full time or the family receives unemployment assistance for at least 2 years in a row

Or:

One spouse is disabled at a rate of 75% or over.

- The allowance is for the whole family (not for the individual).

5.3 *Tax treatment of benefit and interaction with other benefits*

None

5.4 *Treatment of particular groups*

5.4.1 *Young persons*

None

5.4.2 *Older persons*

Housing benefit rates for the elderly person are increased or special rates, for each of the main groups. The rates range from 465 NIS to 1,149 NIS under lenient conditions.

5.4.3 *Others if applicable*

a. **Lone parent:**

- The rates of benefits given to lone-parent families are according to two types of families: families with up to 3 children and families with 4 or more children.

- The rates for lone-parent families range from 536 NIS to 1,088 NIS, and are under different conditions.

b. New immigrants

There are three types of eligibility for assistance:

1. Immigrants entitled because of seniority years; amount of benefit (min-max):

- For families: 99-402 NIS
- For individuals: 89-223 NIS
- For lone parents: 134-402 NIS
- For elderly immigrants: 99 NIS - 402 NIS

2. Immigrants entitled because of low earning capacity; amount of benefit (min-max):

In all areas:

- For families: 950-1,287 NIS
- For lone parents: 1,170 NIS
- For elderly immigrants: 726-1,197 NIS

3. Immigrants entitled because they receive social assistance benefits. In national preferred areas, amount of benefit (min-max):

- For families: 684-1,149 NIS
- For individuals: 465-839 NIS
- For lone parents: 580-1,149 NIS
- The benefit duration is up to 60 months, with varying rates for every month.

- c. Lone soldiers** – soldiers whose families do not live in Israel, are also entitled for assistance with paying the rent at the amount of 402 NIS per month while they are in-service, and for a maximum period of 5 years – that equals the years of their service –223 NIS per month.

6. Family benefits

Child allowance:

Monthly allowance received by parents according to the number of children in the family.

For a child under the age of 18 living in Israel, not married.

Maternity - In Israel there are benefits given to parents due to the birth of a child. Those benefits are detailed under the definition of "Maternity", and will appear in this document in "text box":

- **Hospitalisation grant** – a grant given to the hospital due to hospitalisation in connection with giving birth.
- **Birth grant** – a grant given to the woman giving birth.
- **Birth allowance** – an allowance given due to the birth of 3 or more children in one birth.
- **Maternity allowance and vacation pay** – allowances given due to the maternity leave.
- **Risk pregnancy benefit** – a benefit given during the pregnancy for a woman in risk due to her pregnancy.

6.1 *Conditions for receipt*

Child allowance:

Insurance contributions:

	<u>Full rate</u>	<u>Reduced rate</u>
Employee	no payment	
Employer	2.08%	1.47%
Self employed	2.40%	1.39%
Other insured	2.64%	1.10%
Government:		
For employee	0.08%	0.08%
For self employed	0.08%	0.08%

Maternity: Government participation: the government participates in paying the birth allowance and the hospitalization grant.

	<u>Full rate</u>	<u>Reduced rate</u>
Employee	0.87%	0.04%
Employer	0.16%	0.12%
Self employed	0.82%	0.56%
Other insured	0.26%	0.11%
Government:		
For employee	0.09%	0.09%
For self employed	0.09%	0.09%

Government participation in birth allowance and hospitalization grant

Ministry of Defense: maternity allowance to woman soldiers – a woman soldier who gave birth during her army service is entitled to allowance, funded by the Ministry of Defense

Conditions of entitlement:

- An Israeli resident, age 18 and over.
 - An insured person with at least one child;
- Or**
- An insured person who supports a child who is not his for at least 12 months.

Maternity:

• **Hospitalisation grant, Birth grant and Child Birth allowance:**

- An insured woman or a wife of insured person, even if she gave birth outside Israel.

Or:

- Employee or self employed woman working in Israel or the wife of an employee or self employed person.

- Need to be hospitalized in connection with giving birth.
- Working in Israel for at least 6 month immediately preceding the birth even if not residents in Israel provide she gave birth in Israel.
- The above does not apply to a person living in an area or in territories of the autonomy who is not an Israeli resident – all as defined under the Law.

• **Maternity allowance and vacation pay:**

- An employee or self employed woman;
- Ages 18 and over;
- Working in Israel;
- A woman aged 18 or over in vocational training;
- A woman employee working abroad – under certain conditions.

- **Qualifying period:**

For maternity allowance for mother or father:

The period of payment of insurances contributions for the employee or by self-employed: for 10 out of the 14 months or for 15 out of the 22 months preceeding the *determining date*.

For maternity allowance for mother only: also for 6 out of the 14 months preceding the *determining date*.

For maternity allowance for father:

- The completion of a qualifying period up to *determining date*;
- Employer's authorization of father's maternity leave;
- Wife's agreement to waive part of her maternity leave and her return to work before the end of 6 weeks from the birth.

Determining date - The day on which the insured woman ceased working while pregnant.

• **Risk pregnancy benefit:**

- A resident of Israel;
- Employee or self employed woman;
- Absence from work due to a medical condition endangering the insured woman or her foetus;
- Qualifying period up to *determining date* for risk pregnancy:
- A period of precautionary rest of at least 30 consecutive days due to risk pregnancy;
- Non-receipt of payment for risk pregnancy from any other source.

Determining date for risk pregnancy – The day on which the insured woman ceased working due to need for precautionary rest as result of risk pregnancy.

Calculation of benefit amount

6.2.1 *Calculation of gross benefit*

Child allowance:

For a child born up to June 1, 2003:

- For each of the first 2 children – the *basic amount* [2] (basic amount: 152 NIS in January 2008);
- For the 3rd child – 1.20 of the *basic amount* [2];
- For the 4th child and each additional child – 2.22 of the *basic amount* [2];

For a child born on or after June 1, 2003:

For each child regardless of his place in the family – the *basic amount* [2];

Maternity:

Both employees and self-employed women who work in Israel are entitled, upon giving birth, to a maternity allowance from the National Insurance Institute for the period of their maternity leave from work.

- **Hospitalisation grant:** a sum set in the regulations and updated from time to time.

- **Birth grant:** 20% of the *basic mount [1]* for one child who is the first child of the family, 9% of the *basic mount [1]* for one child who is the second child of the family, 6% of the *basic mount [1]* for one child who is the third or subsequent child of the family; 100% of the *basic mount [1]* for twins and 50% an additional 50% of the *basic mount [1]* for every additional child born in the same birth.

- **Birth allowance:**

Maternity allowance and vacation pay: 100% of the average daily income liable for insurance contributions of the entitled person in the three-month preceding the *determining date*.

For a period of 14 weeks – if insurance contribution were paid for 10 month out of 14 or for 15 month out of the 22 month preceding the *determining date*.

For a period of 7 weeks (for mother only)– if insurance contribution were paid for 6 month out of 14 or for 15 month out of the 22 month preceding the *determining date*

- **Risk pregnancy benefit:** for every day of precautionary rest due to risk pregnancy, the sum which is the lower of the following:
 1. A sum equivalent to the *basic amount [1]*, divided by 30.
 2. The insured woman's income in the 3 month preceding the day of her cessation of work, divided by 90.

6.2.2 *income and earning disregards*

6.3 *Tax treatment of benefit and interaction with other benefits*

Child allowance: is not considered as an income and therefore it is not deductible.

Maternity:

The maternity allowance, vacation pay and risk pregnancy benefits:

The taxes are at the rate of the parallel income amount received from work.

National insurance contributions are deducted from these benefits at the rate detailed in the table at the end of this document.

Health insurance contributions are deducted from these benefits at the rate of a parallel income received from work.

6.4 Treatment of particular groups

6.4.1 Young persons

None

6.4.2 Older workers

None

6.4.3 Others if applicable

- a. **Increment to child allowance:** paid to large families (families with three or more children) that receive a *subsistence benefit* (income support, alimony, disability, old age, or survivors) from the NII, for the third and fourth children in the family, at the rate of 0.70 of the *basic amount* [2] (basic amount: 152 NIS in January 2008), for each child
- b. **Study grant:** paid for every child between the age of 6 and 14 years in entitled families, at the beginning of the school year. The grant is at the rate of 18% of the *basic amount* [3] (basic amount: 7,352 NIS in January 2008), for children aged 6-11 and at the rate of 10% of the *basic amount* [3] for children aged 12-14.

The following families are entitled to a study grant:

- A lone-parent family;
- A family with 4 or more children that receives a *subsistence benefit*;
- A child orphaned from both parents;
- An abandoned/orphaned child as defined in the Income Support Law;
- A child who immigrated to Israel without an insured parent;
- A woman residing in a shelter for battered woman, under certain conditions;
- A person who receives an income support benefit separately from his/her spouse;

a. Adopting parent –

Condition of entitlement:

Adoption of a child under 10 years old.

Entitlement to vacation pay: cessation of work due to adoption of a child.

Grant: equivalent to the birth grant according to the number of children under 10 years old who were adopted on the same day.

b. Childbirth allowance - A birth of 3 or more children of whom at least 3 remained alive at the end of the 30 day period immediately following the birth, on condition that the mother is entitled to maternity grant.

The allowance payment calculation – a percentage of the *basic amount* [1] (basic amount: 7,443 NIS in January 2008), for 20 months.

c. Maternity allowance:

For father:

- The completion of a qualifying period up to *determining date*.
- Employer's authorization of father's maternity leave
- Wife's agreement to waive part of her maternity leave and her return to work before the end of 6 weeks from the birth.
- Mother's entitlement to maternity leave of at least 14 weeks from the birth and father's maternity leave of at least 21 consecutive days.

d. Special hospitalisation grants:

- A mother who gave birth to more than one child, and she or her child is hospitalized during her maternity leave for a period of more than 2 weeks: entitled to maternity allowance for a longer period – according to conditions determined by law.
- A mother, who gave birth, and she or her child is hospitalized during her maternity leave for a period of more than a week: is entitled to split up her maternity leave.

e. A special allowance and special benefit:

Due to the death of the mother while giving birth or within a year of giving birth, who was insured for maternity grant:

For every child who was born in that birth at the rate of 30% of the average wage for a period of 24 months, or if survivors' or dependents' benefit is paid for him – for a period of 12 months.

A special benefit to her widower if he stop working to take care of the child – at a rate of the injury allowance, for a period of up to 12 weeks.

7. Childcare for pre-school children

Fraction of children in child care by child's age and type of childcare available:

1. As of 2004/05, changes in enrolment rates have been calculated by the child's religion.
2. Incl. day care centres.
3. As of 2004/05, includes children in the Ministry of Social Affairs day care centres.
4. Excl. children aged 6 who attend kindergartens (17,995 Jews and others, thereof 17,101 Jews; 1,577 Arabs; total 19,572 children).
5. The calculation of enrolment rates did not include Arab residents of Jerusalem, because data are not available for many institutions in East Jerusalem

The age which compulsory school starts is: 5 years old – pre-school (kindergartens)

7.1 *Out-of-pocket childcare fees paid by parents*

The latest data are for 2006.

Average expenditure on education service (families with children aged 0-15 years)*						
	2006		2005		2004	
	Net money income (NIS) 12,018.5		Net money income (NIS) 11,355.3		Net money income (NIS) 10,820.0	
	NIS	% of income	NIS	% of income	NIS	% of income
Total	1,101	9.16%	1,045	9.20%	995	9.19%
Day nursery	1,178	9.80%	1,169	10.30%	1,112	10.28%
Private kinder garden	1,148	9.55%	1,089	9.59%	1,075	9.94%
Pre-compulsory kinder garden	438	3.64%	420	3.70%	467	4.31%
Compulsory kinder garden	234	1.95%	225	1.98%	270	2.49%
Elementary school	267	2.22%	237	2.09%	231	2.14%
Intermediate school	227	1.89%	208	1.83%	228	2.11%
Afternoon education	548	4.56%	507	4.47%	498	4.60%

*The average expenditure is calculated for the families paying the fee in each group.

OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs
Country chapter - Benefits and Wages (www.oecd.org/els/social/workincentives)

	2003		2002		2001	
	net money income (NIS)	10,599.4	net money income (NIS)	10,886.3	net money income (NIS)	11,070.9
	NIS	% of income	NIS	% of income	NIS	% of income
Total	964	8.02%	965	8.50%	946	8.74%
Day nursery	1,056	8.79%	1,081	9.52%	1,043	9.64%
Private kinder garden	986	8.21%	994	8.75%	951	8.79%
Pre-compulsory kinder garden	468	3.90%	419	3.69%	404	3.73%
Compulsory kindergarten	201	1.67%	208	1.83%	230	2.13%
Elementary school	253	2.10%	237	2.08%	223	2.06%
Intermediate school	234	1.95%	245	2.16%	220	2.03%
Afternoon education	473	3.93%	452	3.98%	446	4.12%

	1999		1998		1997	
	net money income (NIS)	9,861.6	net money income (NIS)	9,407.9	net money income (NIS)	8,670.7
	NIS	% of income	NIS	% of income	NIS	% of income
Total	848	7.05%	771	6.79%	714	6.60%
Day nursery	903	7.51%	655	6.97%	650	7.50%
Private kinder garden	765	6.37%				
Pre-compulsory kinder garden	378	3.15%				
Compulsory kinder garden	216	1.80%	248	2.18%	215	1.99%
Elementary school	188	1.56%				
Intermediate school	212	1.77%				
Afternoon education	454	3.78%	--	--	--	--

OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs

Country chapter - Benefits and Wages (www.oecd.org/els/social/workincentives)

The fee for a pre-compulsory kinder garden (ages 3-4) owned by local authorities, women's organisations (such as Wizo, Na'amat, etc.) and other authorities, is determined by the Ministry of Education.

The basic fee is 716 NIS for a school day from 7:30-13:30 (for kinder garden operating only 5 days a week the fee is 573 NIS).

The reduction percentage benefit is due to the average monthly gross income per person (including child allowance) as follows:

Average gross income per person (NIS)	Paying Rank (%)
0-867	10
868-939	20
940-1,014	30
1,015-1,054	40
1,055-1,130	50
1,131-1,248	60
1,249-1,324	70
1,325-1,451	80
1,452-1,480	90
1,481+	100

The maximum income amount for receiving this benefit from the Ministry of Education is 1,221 NIS (rank 4). Local authorities can fund benefits (beyond the rates given by the Ministry of Education) at their own expense.

Participation in the pre-compulsory kinder garden tuition by the Ministry of Education also takes into account the following circumstances.

1. Area of residency – for the parents living in *preferred area A* and *B* are entitled to a full refund of the tuition.
2. Distressed neighbourhoods, children from age four, living in distressed neighbourhoods as defined by the ministerial commission for distressed neighbourhoods, are entitled to 90% refund of the tuition.

7.2 *Child-care benefits*

There are no cash benefits received by parents for children in childcare.

7.2.1 *Conditions for receipt*

7.2.2 *Calculation of benefit amount*

7.2.2.1 Calculation of gross benefit

7.2.2.2 Income and earnings disregards

7.2.3 *Tax treatment of benefit and interaction with other benefits*

7.2.4 *Treatment of particular groups*

Not relevant

8. Employment-conditional benefits

None

9. Lone-parent benefits

There are no specific defined benefits for lone parents. However there are special conditions and rates for lone parents in some benefits. Those are detailed in this document in the "other groups" section of each chapter, under the "treatment of particular groups" headline.

10. Tax system

The Tax System's administrative structure

There are four **administrative authorities that are involved in determining tax policy and the policy for obligatory payments** as well as regarding their imposition, collection and enforcement:

1. Government offices
2. The National Insurance Institute
3. Local authorities
4. Other statutory bodies

Government offices

Ministry of Finance

State Revenue Administration

The State Revenue Administration is a coordinating branch within the Ministry of Finance that coordinates all issues dealing with state revenues and the tax system.

The Israeli Tax Authority

The Israeli Tax Authority is charged for collecting direct taxes, real property taxes, and indirect taxes on. The Tax Authority is also responsible for the implementation and enforcement of the importation rules.

Additional government ministries dealing with collection

There are number of government ministries that collect fees and obligatory payments, which are paid for licenses or services that they provide. These include the Ministry of Transportation, the Ministry of Justice and the Ministry of the Internal Security.

The National Insurance Institute

The National Insurance Institute collects obligatory payments by virtue of the National Insurance Law (1995) and by virtue of the National Health Insurance Law (1994). The National Insurance Institute is under the supervision of the Minister of Welfare and Social Services, who is charged with the

OECD - Social Policy Division - Directorate of Employment, Labour and Social Affairs

Country chapter - Benefits and Wages (www.oecd.org/els/social/workincentives)

implementation of the National Insurance Institute Law and is authorized to enact regulations pursuant to that Law.

The Minister of Welfare and Social Services chairs the National Insurance Institute Council, whose members include fifty representatives of workers' and employers' organizations, of government ministries and of the public.

The Local Authorities

In 2007, there were 253 local authorities in Israel, of which 76 were cities, 123 were local councils and 54 were regional councils.

Local authorities in Israel collect municipal property taxes, fees and betterment charges on properties within their jurisdictions. Each Local authority has its own tax administration.

The local authorities' income amounted to 16.4 billion NIS in 2007.

Other statutory bodies

Additional statutory bodies, such as the Israel Post Office, the Ports Authority and the Airports Authority collect fees and charges.

Taxes

1. Direct taxes

Three types of direct taxes are imposed on income:

- Income tax
- Capital gains tax
- Real estate tax

2. Indirect taxes

Indirect taxes apply to both locally produced goods and services and imported goods and services. In most cases, these are consumption taxes are imposed on the final consumer.

Taxes on locally produced goods and services

There are three types of taxes on locally produced goods and services:

- Value added tax (VAT)
- Purchase tax
- Fuel excise tax

Taxes on imports

There are three types of taxes imposed on imports:

- Customs
- Purchase tax
- VAT

10.1 Income tax

Taxation of current income (personal income tax)

Personal income tax in Israel for both employed and self-employed is a progressive tax starting at the rate of 10% and increasing to a maximum rate of 47%.

Israel income tax brackets for individuals (2008):

Tax (%)	Income per year (NIS)
10%	1-52,680
16%	52,681-93,720
26%	93,721-140,640
33%	140,641- 202,080
35%	202,081- 435,120
47%	435,121 and over

10.1.1 Tax allowances and credits

Allowance points are granted on the tax due which reduces the tax payable. An *allowance point* is worth 2,268 NIS per year (189 NIS per month).

10.1.1.1 Standard allowances

The main allowance points are given in the following table:

Subject	No. Of allowance points
Israeli resident	2.25
Woman	0.5
Child under the age of 18 (allowance to the mother)	1.0

10.1.1.2 Standard tax credits

10.1.2 Income tax schedule

The employer deducts tax due from his employees at source. The employer transfers the tax to the income tax on the 15th of the month for preceding period. Employers who have a large number of employees report to the Tax Authority once a month, while employers with a lesser number of employees submit their returns once every two months (for example: a small employer submits a return for January and February on March 15). Self-employed persons pay an advance to the Income Tax Authority on the 15th of the month. The advance is calculated by the Tax Authority according to the figures in annual report submitted for the previous year.

10.1.3 State and local income taxes

Municipal Taxes

There is no local tax imposed on income. Nevertheless, the local authority collects taxes according to the area (square meters) of the premises. The amount of the taxes is influenced only by the size and area of the premises.

10.2 Treatment of family income

The tax unit is the individual. Credit points are given due to several family employment conditions, to one specific family member (mother/father/husband/wife).

10.3 Social security contributions and payroll taxes

National Insurance

Every resident of Israel aged 18 and over is obligated under law to be insured by National Insurance and to pay the national insurance contributions.

The rate of the monthly payment for a self-employed person amounts to a maximum of 16.23% on a maximum monthly income of 36,760 NIS (01.01.2008). (In excess of this sum, there is no additional payment to National Insurance).

Health Insurance

Since 1.1.1995 every Israeli resident is insured in National Health Insurance. Therefore every resident must be registered in one of the health maintenance organization, HMO. The insured person can select the HMO as he wishes. The HMO must provide a "basket" of health services as determined by law.

According to the law every Israeli resident must pay contributions for health insurance. These contributions are collected by the NII, which distributes the monies collected to the various HMO's. Rates are calculated according to the insurer's earned and unearned income and according to his work status at a rate determined by law. A person who does not work and has no income pays the minimum payment at the amount of 141 NIS (as of 1.1.2008)

The following table indicates the rates of insurance contributions paid by the employer and the employee in 2007:

Insurance Contribution Rates
in 2008

Insurance branch	Employee						Self-employed	
	Total ²		On employee's account		On employer's account			
	full rate	reduced rate ²	full rate	reduced rate ²	full rate	reduced rate ²	full rate	reduced rate
Old-age and Survivors	5.99	1.78	3.85	0.22	2.04	1.45	5.21	3.09
Long-term Care	0.21	0.06	0.14	0.01	0.06	0.05	0.18	0.12
General Disability	2.30	0.43	1.86	0.11	0.42	0.30	1.86	1.11
Accident Injury	0.09	0.02	0.07	0.01	0.02	0.01	0.08	0.06
Work Injury	0.61	0.45	--	--	0.59	0.41	0.68	0.39
Maternity	1.04	0.17	0.87	0.04	0.16	0.12	0.82	0.56
Children	2.17	1.58	--	--	2.08	1.47	2.40	1.39
Unemployment	0.25	0.04	0.21	0.01	0.04	0.03	--	--
Bankruptcy	0.02	0.01	--	--	0.02	0.01	--	--
Total Insurance Branches	12.68	4.54	7.00	0.40	5.43	3.85	11.23	6.72
Health	5.00	3.10	5.00	3.10	--	--	5.00	3.10
Total Contributions	17.68	7.64	12.00	3.50	5.43	3.85	16.23	9.82

¹ These rates include the share of the employee and the employer in payment of insurance contributions. In addition, the government participates in the financing of the insurance branches instead of the employer and the self-employed at a rate of 0.69%.

² On income of up to 60% the *average wage*.

10.3.1 Contributions paid by employees

The employer is required to report on all his employees and their wages and to deduct national and health insurance contributions from their wages.

On the share of the employee's wages that is under 60% of the *average wage*, insurance contributions are deducted at a total rate of 3.50% (as of 1.1.2008): national insurance contributions at a rate of 0.40% and health insurance contributions at a rate of 3.10%.

On the share of the employee's wages that is 60% or over of the *average wage*, insurance contributions are deducted at a total rate of 12.00% (as of 1.1.2008): national insurance contributions at a rate of 7.00% and health insurance contributions at a rate of 5.00%.

10.3.2 Contributions paid by employers

In addition to deducting the insurance contributions from the wages of his employees, the employer must pay insurance contributions from his own income for the various insurance branches – at amounts indicated in the different chapters.

10.4 Treatment of particular groups

10.4.1 Young persons

One credit point to person 16-17 years old.

10.4.2 Older workers

There are special tax brackets for incomes of the elderly.

10.4.3 Others if applicable

The following groups receive credit points above the standard credit points:

For example:

- A woman is entitled to 0.5 credit point.
- Lone-parent families are entitled to 1.0 credit point
- A new immigrant is entitled to 1-3 credit points.
- Couples living apart are entitled to participation in childcare.
- A demobilized soldier is entitled to 2.0 credit points.
- Graduates of academic studies are entitled to 0.5 credit point
- Ext.

11. Part-time work

11.1 Special benefit rules for part-time work

Part-time workers are entitled to national and health insurance benefits under the same schemes as are full-time workers. They have to fulfill the same qualifying conditions in order to be entitled to any of the above-mentioned benefits.

11.2 Special tax and social security contribution rules for part-time work

There are no special rules for part-timework.

12. Policy developments

Regarding the tax system in Israel:

Israel's tax laws underwent a major reform on January, 1.2003.

Under this reform, tax is levied on personal basis. Israelis pay taxes on all sources of income, both in Israel and abroad. Foreign residents pay taxes only on income derived in Israel, all subject to the conventions for the avoidance of double taxation.

In 2008 Israel's corporate income tax rate is 27% (previous rate – 29%).

Individual income tax rates in 2008 are 10%-47%.

There are reduced tax rates for passive income abroad.

In May 2005, Israel's Finance Minister at the time, Benjamin Netanyahu, announced a new tax reform for the years 2005-2010. The reform includes a reduction of top marginal individual income tax rate, from the current 49% to 44% by 2009.

Reduction of VAT rate, from 17% to 16.5%, starting 9/2005.

Reduction of corporate income tax, from 34% to 25% by 2009.

Increase of income tax rate on stock exchange gains, from the current 10%-15% to 15% to 20% in 2006.

100% accelerated depreciation for investment in fixed assets from 9/2005 to 9/2006.

Exemption from capital gains for foreign investors, subject to certain conditions.

12.1 Policy changes introduced during 2007

A. Tax system changes

January 2007

Since 1.1.2007 the top marginal income tax rate for individuals is 48% (previous rate – 49%).

Israel's corporate tax rate is 29% (previous rate – 31%).

According to Israel's new tax regulations, there is a list including 12 types of transactions requiring reporting by taxpayers to the Israeli Tax Authority.

The reporting should include names of the parties to the transaction and the sum of the transaction.

The list includes, payment of management fees of over 2 million NIS, resulting in tax reduction and sale of assets to close relatives priced over 2 million NIS, resulting in a loss setoff within 2 years from the date of sale.

The reporting is effective for transactions dated on 1.1.2007 or thereafter.

December 2007

The Israeli parliament approved a new "negative income tax" reform on 18.12.2007.

According to the reform, taxpayers earning low income, but more than 1,730 NIS per month, will get a cash grant paid directly by the government. The grant is given to earners aged 23 or over, having at least one child aged under 18. For earners aged over 55, the grant is also provided for children above age 19.

The monthly grant ranges from 400 NIS per a single parent, up to 800 NIS per couple.

The tax reform for employees is effective from 2007, at first covering only an area of about 20% of Israel. By 2009 the reform will cover the entire population. For self-employed people, the reform will start in 2008, as a tax credit brought forward for the next years.

12.2 Future policy changes announced in 2007

Changes during 2008:

January 2008

From 1.1.2008 income tax rates for individuals are 10%-47%, compared to a top marginal tax rate of 48% in 2007.

Israel's corporate tax rate for 2008 is 27%, compared to 29% tax rate in 2007.

An agreement was signed between the Ministry of Finance and the Histadrut Labor Federation for pension program for all workers in the labor force. This agreement is carried out as of 1.1.2008.

B. National Insurance Institute

12.1. Policy changes introduced during 2007

The scope of the population eligible for certain benefits was widened in 2007:

Income support

Under an amendment passed to the Income Support Law on December 26, 2006, as of January 2007, ownership of a vehicle no longer rules out eligibility for an income support benefit, under several conditions. Previously, a person who owned a vehicle (except a motorcycle) was not eligible for an income support benefit, unless he was disabled in his legs or needed the vehicle for medical reasons.

The change aims at removing obstacles from income support recipients who need a vehicle in order to work.

Eligibility for income support benefit is no longer ruled out to a person who has reached retirement age and goes abroad three times in a calendar year – if the total number of his days abroad in the calendar year does not exceed 72 days.

Also in Income Support, persons with disabilities are now exempt from the employment test, and persons aged 45 and over are no longer required to register with the occupation center of the experimental Welfare-to-Work program.

Maternity

The maternity leave was lengthened from 12 to 14 weeks, out of which 7 weeks or less may be taken before the birth, according to the mother's wishes. The change is in effect regarding women who began their maternity leave on May 8, 2007 or thereafter.

A woman who gives birth to more than one child in the same birth is entitled to extend her maternity leave. Under Amendment no. 37 to the Women's Work Law, this additional period has been lengthened from two weeks to three weeks.

This change too is in effect regarding women who began their maternity leave on May 8, 2007 or thereafter.

The *risk pregnancy benefit* was amended so as to expand the definition of risk pregnancy to include also "a type, place or method of work is endangering the pregnant woman or her foetus" – and not only a medical condition.

Unemployment

For young unemployed persons, the conditions of *suitable work* have changed (no longer includes work that does not require a change in residence), benefit rates were reduced and the maximum period of entitlement to benefit was shortened from 100 to 67 days