

Israel

Summary of CbC Reporting and Transfer Pricing Documentation Rules

Country-by-Country Report

- Effective Date: From tax year 2022 (an Israeli resident may submit a CbC report for the tax year 2021, which is due by March 31, 2023).
- Filing Threshold: Israeli MNEs with consolidated revenue exceeding ILS 3.4 billion in the previous fiscal year (the legislation provides that a lower amount may be determined by the Minister of Finance, with approval of the Finance Committee of the Knesset).
- Local Filing: An Israeli constituent entity may be required to file a CbC report if certain conditions are met.
- Information Reported: Generally consistent with OECD guidance (further detailed regulations are expected).
- Forms/Filing Instructions (see Israeli Tax Authority (ITA) [December 2022 guidance](#)):
 - CbC Notification (Constituent Entities): From tax year 2022, [Form 1585](#) – Declaration of Taxpayer Being Part of a Multinational Group must be filed with the annual tax return for the relevant tax year. In addition, constituent entities must report the following information: country in which the CbC report was submitted, entity name, entity number, MNE name, UPE name, tax identification number and contact information to the following email address: IsraelCBCr@taxes.gov.il.
 - CbC Notification (Ultimate Parent Entities): By the end of the reporting year, an Israeli UPE that chooses to file the CbC report in another jurisdiction must notify the ITA (via the [HMA Portal](#)) of the jurisdiction where the report will be submitted.
 - CbC Report Registration: Entities submitting a CbC report in Israel must register with the ITA via the [HMA Portal – automatic information exchange](#).
 - CbC Report: Filed electronically in an XML format (see [technical instructions](#)).
- Deadline for Filing CbC Report: Within 12 months of the end of the reporting year. According to [Income Tax Implementation Order No. 1/2024](#), for tax year 2022, the deadline has been extended to March 31, 2024 in cases where there is an obligation to submit a CbC report in Israel.
- Exchange of Information:
 - MCAA CbC: signed.
 - U.S. CAA CbC: signed.

For a schedule of CbC report and CbC notification deadlines (by country), please see [CbC Reporting Deadlines](#).

Master File

- Effective Date: From tax year 2022.
- Filing Threshold: Israeli entities that are members of an MNE group with consolidated group revenue exceeding ILS 150 million in the previous fiscal year.
- Information Reported: Generally consistent with OECD guidance.
- Deadline for Submission: Within 30 days of a request by the tax authority.

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- *Penalties*: No specific transfer pricing penalties; however, compliance with the documentation rules shifts the burden of proof from the taxpayer to the tax authority.

Transfer Pricing Documentation/Local File

- *Filing Threshold*: There is no minimum revenue threshold. Israeli taxpayers engaged in international transactions with related parties are required to prepare transfer pricing documentation, including a market conditions study.
- *Information Reported*: Section 85A of the Income Tax Ordinance includes a description of the transfer pricing documentation requirements. From tax year 2022, the amended transfer pricing regulations (published in September 2022) require additional information in line with OECD local file guidelines including (i) a description of the taxpayer's organizational structure and a detailed explanation of the senior officials in the MNE group including their role and the geographic location of their office and (ii) a list of the taxpayer's main competitors.
- *Language*: Hebrew or English.
- *Safe Harbors*: Circulars issued in 2018 provide the following safe harbors: low-level services with a mark-up on total costs of 5%; marketing services with a mark-up on total costs of 10-12%; and low risk distribution activities with an operating margin of 3-4%. Taxpayers that meet these safe harbors are exempt from including a benchmark analysis (supporting the arm's length range) in their transfer pricing documentation.

In addition, certain "one-time transactions" may be exempt from the requirement to perform a comparability analysis.

- *Deadline for Submission*: From tax year 2022, the amended transfer pricing regulations (published in September 2022) reduce the time to submit transfer pricing documentation following a request by the tax authority from 60 days to 30 days.
- *Penalties*: No specific transfer pricing penalties; however, compliance with the documentation rules shifts the burden of proof from the taxpayer to the tax authority.

Transfer Pricing Declaration

Taxpayers engaged in international transactions with related parties are required to file with their annual tax return the [Form 1385](#) – Declaration of International Transaction, which includes a description of the intercompany transaction; transaction volume; pricing method applied; information about the related party; use of safe harbors; and the signature of an individual with a defined position in the company. The form also contains a declaration that the transactions are conducted at a fair market value and whether transfer pricing documentation exists.

Additionally, taxpayers that are a party to certain international related party financial transactions are required to file [Form 1485](#) with their annual tax return.

For more detailed guidance, please see [Portfolio 7180-1st: Business Operations in Israel, XVI, Inter-Company Pricing, C. Reporting and Documentation Requirements](#).