

Tax - Employee Notes



Israel	Incentive Plan/LTIP
<p>When will I be taxed in relation to my plan benefits?</p>	<p>Grant: No income tax. No social security.</p> <p>Vesting: No income tax and no social security (unless the employer has obtained a tax ruling moving the tax point to vesting).</p> <p>Transfer to participant: No income tax. No social security.</p> <p>Sale by participant: If the taxing point has not already occurred, income tax and social security on the value of the shares upon sale. If the taxing point has already occurred, capital gains tax (no social security) on any increase in value since vesting.</p>
<p>What is the maximum rate of income tax payable in relation to my plan benefits?</p>	<p>50% (2026). Any change in tax rates usually takes effect from 1 January.</p>
<p>Income tax rates</p>	<p>Tax rates are progressive up to 47%. In addition, an individual whose annual income (from any source) exceeds ILS721,560 (the threshold will be applicable until the end of 2027) will pay an additional 3% surtax on any income over that amount. This takes the maximum income tax rate to 50%.</p> <p>In 2025-2027 (inclusive), the surtax on capital income (dividends, interest, real estate sales, and other capital sources) exceeding ILS721,560 increased from 3% to 5%. Where the total capital income is below the threshold, but the aggregate income for that year exceeds the threshold, the surtax tax is at a rate of 3%.</p>
<p>Will my employer withhold income tax in relation to my plan benefits?</p>	<p>Yes</p>
<p>Are my plan benefits subject to social security contributions?</p>	<p>Yes</p> <p>Employee social security.</p> <p>Employer social security.</p> <p>Employer must withhold the employee contribution.</p>
<p>Employee social security</p>	<p>Employee social security (max rate): 12.17% (combined rate for national insurance and health insurance).</p> <p>Employee social security (cap): maximum monthly compensation amount for social security tax payments is ILS51,910 (2026).</p>
<p>What is the maximum rate of capital gains tax?</p>	<p>25% plus: (a) if a participant has income of any kind, including capital gains, that exceeds ILS721,560 (the threshold), they have to pay a surplus 3% tax on any income that exceeds the threshold; and (b) if a participant has capital gains (excluding other types of income) that exceeds the threshold, they are also required to pay an additional surplus 2% tax on the capital gains that exceed the threshold.</p>

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What is the maximum tax rate payable on dividends?	The rate of tax depends on the tax route under which the awards were granted. If the awards are tax-qualified under the trustee capital gains route or if the employer has obtained a tax ruling moving the tax point to vesting/purchase, dividends would be taxed at 25% (plus 3% (2025-2027) surtax for annual income above ILS721,560 (where the total capital income is below the threshold but the aggregate income for that year exceeds the threshold), or plus 5% (2025-2027) if the annual capital income was above ILS721,560). Otherwise, ordinary income tax will apply to the dividends.
Do I have to report any income in relation to the plan to my local tax authority?	<p>Yes (unless the employee is exempt under law). Additional reporting may be required if there is no withholding (e.g. on dividend payments or capital gains). There is no specific filing in relation to equity related incentives.</p> <p>Report name: Annual Tax Return. Capital gains and dividends, for which no tax was withheld, will have to be reported on an additional form. The return can be filed online subject to certain conditions. The tax return and form can be downloaded from the Israel Tax Authority (ITA) website here.</p> <p>Tax period: 1 January to 31 December.</p> <p>Reporting deadline: tax returns must be filed by 31 May following the calendar year (subject to certain possible extensions, including routine extensions approved by the ITA or specific extensions approved for lawyers and CPAs who represent clients and file tax returns on their behalf). Not all taxpayers are required to file annual tax returns as various exemptions apply. Taxpayers are required to report gains from the sale of marketable securities from which no tax was withheld on bi-annual reporting dates of 31 January and 31 July. Taxpayers are required to report dividends received when filing the tax return</p> <p>Payment of tax: any unpaid income tax and/or dividend tax is due upon filing or as demanded by the ITA. A down-payment on account of any capital gains tax must be made on each of the bi-annual reporting dates (see above).</p>

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This summary assumes that you only pay tax in one place. Different rules may apply if you pay tax in different places.

This summary is only a guide. It is limited to a general description of national tax laws and does not address various issues which may impact the tax result, including: local, city, regional, state or other provincial taxes; retention and holding periods; restrictions on the shares; clawback terms and periods; and your own individual circumstances. We do not guarantee any particular tax result. Therefore, we recommend that you consult your own tax advisor regularly to determine your tax position.

The information provided is understood to be correct as of 9 February 2026. Changes in legislation or practice after this date may affect the tax treatment.

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