

## Tax - Payroll Guide - Free shares / RSU

<b>Israel</b>	
<b>Tax points</b>	<p><b>Grant:</b> No income tax. No social security.</p> <p><b>Vesting:</b> No income tax and no social security (unless the employer has obtained a tax ruling moving the tax point to vesting).</p> <p><b>Transfer to participant:</b> No income tax. No social security.</p> <p><b>Sale by participant:</b> 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>
<b>Income tax (maximum rate)</b>	50% (2025). Any change in tax rates usually takes effect from 1 January.
<b>Income tax rates</b>	<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>
<b>Employer income tax withholding</b>	Yes
<b>Employer social security withholding</b>	<p>Yes</p> <p>Employee social security.</p> <p>Employer social security.</p> <p>Employer must withhold the employee contribution.</p>
<b>Employee social security</b>	<p><b>Employee social security (max rate):</b> 12.17% (combined rate for national insurance and health insurance).</p> <p><b>Employee social security (cap):</b> maximum monthly compensation amount for social security tax payments is ILS49,030 (2025).</p>
<b>Employer social security</b>	<p><b>Employer social security (max rate):</b> 7.6%</p> <p><b>Employer social security (cap):</b> maximum monthly compensation amount for social security tax payments is ILS49,030 (2025).</p>

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<b>Tax reporting - Individual</b>	<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><b>Report name:</b> 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 <a href="#">here</a>.</p> <p><b>Tax period:</b> 1 January to 31 December.</p> <p><b>Reporting deadline:</b> 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><b>Payment of tax:</b> 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>
<b>Tax reporting - Employing company</b>	<p>Yes, the employer is required to report incentive related income. There is a specific filing for equity related incentives (both tax qualified plans (trustee) and non-trustee plans).</p> <p><b>Reports regarding grants:</b> there are quarterly and annual filing requirements for share plans (the filings were suspended, pending the introduction of an electronic filing system which went online on 1 January 2025):</p> <ul style="list-style-type: none"> <li>• <b>Form 146 - Quarterly report:</b> detailing grants made during the previous quarter and required to be filed within 120 days of the end of the quarter during which an award was granted. The first filing in 2025 is 29 July; and</li> <li>• <b>Form 156 - Annual report:</b> detailing the grant activity and the status of any outstanding grants during the previous calendar year (the filing date is 30 April). The filing date for the 2024 annual report has been extended to 1 October 2025.</li> </ul>

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	<p><b>Reports regarding tax:</b> an employer is required to file Form 102 (reporting income realised by the employees in accordance with Section 102 of the Israeli Income Tax Ordinance) with the ITA by the 16th day of each month. Such form shall include information regarding the salaries paid to employees (including any amounts paid or received under an incentive plan from which the employer is required to withhold tax) in the preceding month and tax amounts withheld from such salary payments. The withholding tax is remitted on the same date. In addition, the employer is required to record payments to employees and the tax withheld from such payments in Form 101 within 1 week from the payment date. By 31 March of each year, an employer is also required to file Form 126, detailing salaries paid and tax withheld with respect to the previous tax year. These forms are filed routinely online by the accounting team of the Israeli company.</p> <p>The employer must deliver the employee's annual report Form 106 (which provides information regarding annual salaries paid to the employee and the annual tax deducted from such payments), to employees by 31 March each year.</p> <p><b>Payment of tax:</b> withheld tax and social security contributions are paid monthly.</p>
<b>Malus and clawback - Tax points</b>	The existence of a malus or clawback clause does not affect the tax point for the individual.