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Voluntary Disclosure and Future Regulations in the Diamond Sector

The diamond and precious stones sector for a long time have encountered difficulties in Israel in reporting and regulating undeclared assets, as well as the taxation of the day-to-day business. These have been subject in the past to many rather unusual ad-hoc arrangements between the sector and the Israel Tax Administration ("ITA"). All this may now come to an end, as the ITA announced on December 18.

The ITA stated that it recently reached an understanding with the Israeli Diamond Exchange and the Israeli Diamond Industry Association, under which, as of 2017, the current taxation principles will be amended to better fit the industry. These include, among others, valuation at cost, and special booking for inventory.

In preparation for the forthcoming legislative amendments, the ITA announced that applications for voluntary disclosures by individuals which are, or were, active in the diamonds and precious stones industry, will be possible under the same framework currently applicable to the general public, subject to special principles.

Application for voluntary disclosure on an anonymous basis is possible only until the end of 2016, and this deadline will not be extended, as announced by the ITA on December 21.

It is therefore recommended to use this limited time frame until the end of the year and regularize all remaining undeclared assets and income, by submitting an anonymous application by December 31, 2016. Such submission is possible even in case the some of the financial information required for the disclosure procedure.

As of January 1, 2017 applications for voluntary disclosure will remain be possible, but will have to be submitted disclosing the names of the applicants, and probably may be subject to different treatment.

For further information please contact

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