



מדינת ישראל
משרד האוצר

Employment Grant

From now on work pays even more



For the 2015 tax year, salaried employees and
for the self-employed



The Employment Grant Program

The Employment Grant Program (previously named “regressive income tax”) is intended as an encouragement to participate in the job market, to increase the disposable income of those employed at the lower income brackets and to reduce income inequality.

Who is eligible for an Employment Grant for the 2015 tax year?

The law applies to any salaried employee or self-employed person whose earned income or whose income from a business or profession in the 2015 tax year met all three of the following criteria:

1. You are 23 years of age and you have children, or you are aged 55 or more, including without children.
2. At any time in the 2015 tax year, besides a single housing unit, you and/or your spouse, or your child, who is financially dependent on you, separately or together, **did not own real estate rights** (such as: an apartment, a store, a plot of land etc.). in Israel and/or outside Israel, where your share in its ownership exceeds 50%.
3. If one of the two applies to you:
 - 3.1 You have one or two children, or you are aged 55 or more, including without children -**
The result from dividing all of your earned income and/or your income from a business and/or from a profession in the 2015 tax year, by your **actual** number of work months (as a salaried employee or as being self-employed, but not more than 12 months) in that year, **was higher than NIS 2,060 * and lower than NIS 6,141 *.**
 - 3.2 You have three or more children -** The result from dividing all of your earned income and/or your income from a business and/or from a profession in the 2015 tax year, by your **actual** number of work months (as a salaried employee or as being self-employed, but not more than 12 months) in that year, **was higher than NIS 2,060 * and lower than NIS 6,750 *.**

* The sums are correct as of the known consumer index on June 1, 2015 and will be updated on June 1, 2016 according to law.

Grant for workers with disabilities -

The law makes it easier for workers with reduced capacity to work, for whom an “**adjusted minimum wage**” has been set under the minimum wage law. According to this they are entitled to a grant even if their entitling income is lower than that of a worker without a disability.

Definitions:

Salaried employee - an individual, resident of Israel, who had an earned income during the 2015 tax year.

The law does not apply to a salaried employee for whom one of the following conditions applies:

A person who received all of his earned income from an employer who is defined as a “relative” or “a member of a group” of which he, or his “relative”, are controlling shareholders (holders of over 10% in the company). Furthermore, anyone whose earned income was received from an employer who is not a “relative” and where during all of those months of work, he also received an earned income from an employer **who is** a “relative”. A person who had an earned income, and which was received from an employer who **is** a “relative”, and also from, an employer who **is not** a “relative”, will be entitled to a grant **only** for those months during which he **did not** concurrently receive an income from an employer who is a “relative”.

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A **“Relative”**, for this matter, is: a spouse, brother, sister, parent, grandparent, offspring, offspring of the spouse, and the spouse of any one of those.

Examples:

1. A claimant who had an earned income during the months of January to December from an employer **who is** a “relative”, and also an earned income between the months of January-July from an employer **who is not** a “relative”, **is not entitled** to receive a grant.
2. A claimant who had an earned income during the months of January to July from an employer **who is** a “relative”, and also an earned income between the months of January-December from an employer **who is not** a “relative”, **is entitled** to receive a grant for the months of August-December **only**.

“Earned income” - a wage (except for a pension), income earned from housework, benefits the employee received from his employer (payments to the employee to cover his expenses, including car or phone, tuition, travel abroad, purchase of professional literature or clothing etc.), including maternity benefit, complications of pregnancy benefit and military reserve benefit according to the National Insurance Law.

“Actual work month” - including annual vacation, sick leave, maternity leave and complications of pregnancy leave according to the National Insurance Law, the period of military reserve duty and with the exception for a month for which unemployment benefits were paid according to the National Insurance Law.

“Self-employed” - an individual, resident of Israel, who had an income from a business and/or a profession during the 2015 tax year.

“Child” - an individual not yet 19 years old during the 2015 tax year.

For example: regarding a request submitted in 2016 (for the 2015 tax year), the requirement is that the child shall not yet be 19 years of age on December 31, 2015.

What are the conditions for receiving the grant?

1. To receive the grant, a claim needs to be filed (as detailed later on in this leaflet). The grant claim for the 2015 tax year must be filed no later than **September 30, 2016**.
2. A “self-employed” and/or “salaried employee” who is required to submit a report to the income tax authorities, or whose spouse is required to submit such a report - **the annual report has been submitted** “online” no later than **June 30, 2016**. It must be made clear that a taxpayer, who has been given an extension for submitting the report as above, the report must be submitted before the expiry date of the extension.
3. A report No. 126/856 has been submitted “online” by the employer for the 2015 tax year no later than **April 30, 2016**.



How must the claim be filed?

Note: the claim is **personal** and it is not possible to file a claim for a third person, not even when presenting an identification card of that person and/or a power of attorney and/or any other document testifying to his right to representation.

Filing a claim is free of charge and there is no need to engage a paid service in filing it!

You can choose one of two options for filing an Employment Grant claim: via an online form or through Israel Post branches or agencies. Here's what you must do:

1. Online form - can be used only if you have already filed a claim **in the past** (for one of the two most recent claim years) at an Israel Post branch / at the tax assessor's office / online over the Internet. You can access the application via the Tax Authority's Internet website at WWW.TAXES.GOV.IL.

1.1 Fill in your personal details - see paragraph 2.1 (except for entering a bank account number).

1.2 Answer the identification questions.

1.3 Confirm the declaration and print the declaration form.

* It must be clarified here that the grant will be deposited in the bank account as it is updated in the Tax Authority records.

* The claim can be filed via the application for tax years 2014 and 2015.

2. Through the Israel Post branches / agencies - you must personally visit one of the **Israel Post branches / agencies** available throughout the country and bring your **Identification Card (Teudat Zehut)** and a **blank bank check** or an official confirmation from the bank testifying to **the existence of a bank account in your name**, to which you wish the grant to be transferred in your favor.

2.1 At the Israel Post branch / agency, you must identify yourself to the teller and provide the following details:

A. Number of employers (including housekeeping employers, excluding pension) you and/or your spouse have had during the 2015 tax year.

B. Whether you have worked as a "self-employed" during the 2015 tax year.

C. Mailing address.

D. The details of the bank account to which the grant will be deposited.

2.2 Once you have filled in all of the above details, the post teller will print out all of the details on the claim form.

The form will include two parts, separable one from the other:

The upper part of the form will remain with you and will serve as confirmation that you have filed a claim for the grant, where it includes the claim number, claim filing date, tax year for which the claim is being filed and part of the claim details.

Details of the service center hotline and the Tax Authority's Internet website will also appear on this part of the claim.

*** You must retain this claim form in order to receive information at the service center and online services center, whose number is: *4954, or 1-222-4954 or at 02-5656400, or for obtaining personal information over the Internet.**

The claim number printed on the form is required for identification at the service center and for receiving details concerning the claim you have filed.

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The lower part will remain with the Israel Post teller and will serve as a declaration form, which will include all of the claim details for receiving the grant and the details of the claimant as detailed above and of the declaration as it appears on the claim form.

The bank teller will have the claimant sign this part, where the signature confirms the correctness of the details and it also confirms the claimant's fulfillment of the entitling prerequisites for the grant.

3. If you have included in your claim any false information on any of the details affecting your entitlement to receive a grant, you are committing a criminal offense, punishable by up to one year in jail. Furthermore, you will be forfeiting your entitlement for a grant for the year for which you have filed your claim, in addition to two more years.

How is the entitlement examined and how is the grant amount determined?

1. Following the filing of a claim online or through a branch of the Israel Post, the Tax Authority, through its computerized systems, checks whether you fulfill the prerequisites for entitlement, such as: marital and personal status (age + number of children), number of assets owned by the "family" etc. If you are eligible, the amount of your grant will be calculated.
2. The check is performed by cross-checking the information provided in the filed claim, with the information received from the employers, the data from the National Insurance Institute of Israel, the annual report submitted to the Income Tax authority (where relevant) etc. **Please note:** if you are a salaried employee, and if your employer has not filed a 126 report, then to avoid delays in handling your claim, you will be requested to fill in the missing details (for example: Form 106).
3. The Tax Authority will determine your entitlement for a grant within 90 days from the date of filing the claim, or by July 15, 2016, **the later of the two**, your entitlement to a grant and its amount. The date of filing the claim will be regarded as the date on which the claim was filed **in full**, including, if necessary, submission of additional documents, such as the example given in paragraph 2.
4. The Tax Authority is permitted, of its own initiative or on demand from you, to amend its decision, within three years from the day it was given, if new facts will come to light or if it will be found that there was an error in determining the grant amount.

What will be the grant amount?

1. The grant amount to which you are entitled is affected by the amount of your **work income, income from a business or profession, and other income** you receive (not from a salary) **and your spouse's income** from work, from a business and profession and other income. The **number of your children and your age will also be taken into consideration**.
2. An increased grant of 150% will be given to one of the following:
 - (1) A female employee / self-employed woman, who is the mother of one or more children;
 - (2) A male employee / self-employed man, who is a father in a single-parent family of one or more children, where his children are living with him and where he is the provider for those children.

3. Examples*:

Monthly grant amount entitlement (NIS)		
Average monthly income (NIS)	Single-parent woman <u>or</u> man (supporting his children) with one or more children	Man with one or two children, <u>or</u> a man/woman aged 55 or more, with no children
0-2,059	0	0
2,060	120	80
2,500	226	151
3,000	347	231
3,590-4,790	495	330
5,000	423	282
5,500	250	167
6,141	30	20
6,142 or more	0	0

Monthly grant amount entitlement (NIS)		
Average monthly income (NIS)	Single-parent woman <u>or</u> man (supporting his children) with at least three children	Man with at least three children
0-2,059	0	0
2,060	180	120
2,500	335	223
3,000	511	341
3,590-4,790	720	480
5,000	646	431
5,500	470	313
6,750	30	20
6,751 or more	0	0

* The sums are correct as of the known consumer index on June 1, 2015 and will be updated on June 1, 2016 according to law.

*The data in this table do not refer to workers with disabilities.

The grant amounts above apply for persons who have an income from earned income and/or from a business or profession only, and provided they do not have any other source of income (other than salary, business or profession) as per their legal definition.

In view of the fact that the grant refers to the total household income including both members of the couple, the "additional income" of the claimant or the incomes of the spouse from work, from a business or profession or other sources of income, may reduce the amount granted or it may cause withholding of the grant altogether (as will be explained later on).

- If you have been paid a grant of **less than** the amount you are entitled to, the missing amount will be paid including linkage differentials and interest. If you have been paid a grant of **more than** the amount you are entitled to, you will be required to refund the excess amount within 90 days after receipt of a demand for refund, plus linkage differentials.

In which cases will the grant amount be reduced?

- The grant amount is affected by **additional income** (which is not earned income) and also by **your spouse's income**. If you have an "additional income" or if your spouse has a salary income from a salary, a business or profession and/or "additional income", the grant will be reduced depending on the amounts of income from these sources.

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2. **“Additional income”**: any of the following is considered to be an additional income:

* A pension classified as an income under clause 2(5) of the Income Tax Ordinance (for example, an old-age pension). An exception is a pension paid to a worker due to a disability, loss of working capacity or death of a spouse.

* An occupational injuries pension and/or an accident injuries pension, paid by the National Insurance Institute.

How will the grant be received?

1. **“Worker” (salaried employee)** - if a claim has been filed before **March 31, 2016**, the grant will be paid in **four equal instalments** on the following dates: July 15, 2016, October 15, 2016, January 15, 2017 and April 15, 2017.

If a claim has been filed before **June 30, 2016**, the grant will be paid in **three equal instalments** on the following dates: October 15, 2016, January 15, 2017 and April 15, 2017.

If a claim has been filed before **September 30, 2016**, the grant will be paid in **two equal instalments** on the following dates: January 15, 2017 and April 15, 2017.

2. **“Self-employed”** - according to the transitional ordinance in amendment No. 8 of the Work grant law, if you are self-employed, and you were deemed entitled to receive the grant due to your income from a business and profession in the tax years 2012, 2013, 2014 and 2015, and if you still have an outstanding grant balance that has not yet been offset. The balance of the grant will be paid on January 1, 2017 without withholding the 25% of the said grant balance.

How can I appeal against the determination of the entitlement?

1. You are entitled to file a **dispute** of the decision concerning the determination of your entitlement. The dispute must be **reasoned and filed in writing**, and it must be filed within 30 days from the day the decision was delivered to you. Filing must be at the tax assessor's office nearest to your home.
2. If you disagree with the decision concerning the dispute you have filed, then you may **appeal** it to the District Court in the jurisdiction area in which your residence is located.

Where can I find more information?

More information can be found on the Tax Authority's Internet website at TAXES.GOV.IL. **The website contains general information about the Employment Grant**, details on the method of calculating the grant (with examples given), **frequently asked questions (FAQs) and answers, as well as several special Internet applications as follows:**

- **Filing an online claim for an Employment Grant.**
- **Examination of the entitlement for an Employment Grant.**
- **Inquiry as to the status of a claim that has been filed at the Israel Post branch office.**
- **A simulator** for checking the entitlement and for calculation of the grant.

The explanations provided in this guide are general and they must not be regarded as representing the letter of the law, which is the definitive, binding version.

This leaflet is written in the male gender although it is intended for men and women alike.



Telephone Information Hotline: *4954 | 1-222-4954



www.taxes.gov.il | 02-5656400

•The explanations provided in this guide are general and they must not be regarded as representing the letter of the law, which is the definitive, binding version • The male references are equally inclusive of the female gender.