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ISRAEL TAX AUTHORITY EXTENDS DEADLINE FOR REGISTRATION OF U.S. TRUSTS WITH ISRAELI BENEFICIARIES

By Debra T. Hirsch

The Israel Tax Authority announced on June 29, 2015, that the deadline for registration of Family Trusts (sometimes referred to as Relatives Trusts), which are trusts created by a living U.S. grantor for the benefit of at least one Israeli resident beneficiary, has been extended from June 30, 2015, to December 31, 2015. This registration form is also where the trustee must choose irrevocably between the trust being taxed annually at a 25 percent rate or when distributions are made at a 30 percent rate. The tax returns for 2014 (the first year required under the new law) for these trusts are also due (on extension) on December 31, 2015. Practitioners hope (although it is by no means certain) that guidance will be issued before the extended due date as to the treatment of U.S. trusts, which already pay tax on this income in the U.S., particularly as to credits for U.S. taxes paid by the trust, a grantor or a beneficiary who received a distribution.

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