



STATE OF ISRAEL
MINISTRY OF FINANCE

SPOKESPERSON OFFICE

STATE REVENUE
ADMINISTRATION

INTERNATIONAL AFFAIRS
DEPARTMENT

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Press Release

**Israel Signs New Conventions for the Avoidance of Double Taxation with
Estonia (formally) and Georgia (initially)**

Israel recently signed a new tax treaty with Estonia. A new tax treaty between Israel and Georgia has also been initialed.

The tax treaty with Estonia is of high importance, as both Israel and Estonia are slated to join the OECD in 2010. Moreover, it is an additional step towards completing the process of tax agreement formulation with the European Union, as Estonia was one of the last remaining EU countries that had not yet signed a tax treaty with Israel.

The treaty with Estonia establishes a 5% WHT (withholding tax) on dividends and a 0% WHT on dividends paid to pension funds and for the controlling company of the paying company, a 5% WHT on interest and a 0% WHT on interest paid to pension funds, and a 0% WHT on royalties and capital gains. In essence, residents of Israel will not be obligated to pay Estonian tax on capital gains obtained in Estonia (excluding immovable property); but only in Israel, and vice versa.

The main significance of the treaty with Georgia is to improve the competitive standing of Israeli companies operating in Georgia in areas such as real estate and infrastructures. The treaty also facilitates mutual investments, and establishes a 5% WHT on dividends and a 0% WHT on dividends received by one of the countries, pension funds, or controlling companies of the paying company. The treaty establishes a 5% WHT on interest and a 0% WHT on interest from tradable corporate bonds, state bonds, and interest paid to pension funds. The treaty grants a 0% WHT on royalties and on capital gains.

Ofir Levy, CPA, Adv., Head of the International Taxation Department at the State Revenue Administration, commented that this is another step in the implementation of the Ministry of Finance's plan to remove taxation barriers harmful to international trade, encourage mutual investments, and facilitate the business activities of Israeli companies overseas.

Israeli representatives and the representatives of Estonia and Georgia agreed to advance the procedures for ratification of the treaties in their respective countries, so that the treaties may take effect by early 2010.

For the full text of the treaty with Estonia, see the State Revenue Administration website at: <http://www.financeisrael.mof.gov.il/FinanceIsrael/Pages/en/EconomicData/InternationalAgreements.aspx?1>