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## **How Can Foreign Residents Buy or Sell Real Estate in Israel Without Paying Israeli Real Estate Taxes?**

Many are unaware of the situation that various Ottoman and British laws are still binding under Israeli law. This unusual situation creates some challenges in the Israeli legal system but also occasionally allows for creative solutions to various issues.

In this article we will discuss how you may not be charged Real estate taxes when purchasing an apartment across the "Green Line".

Some background: Since 1967 when Israel came in possession of large areas in Judea and Samaria (over the "Green Line"), Israel has not legally annexed these areas. As such, the law which applies in Judea and Samaria for real estate is the Ottoman law, British law and the Jordanian law and additional and supplementary legislation of the IDF Military Commander. Real estate law and taxes in the State of Israel apply to real estate transactions made within the Green Line or on transactions made by Israeli citizens or residents who live in Judea and Samaria. Foreign citizens and residents (who are not concurrently Israeli citizens) are, in most cases, exempt from paying Israeli real estate taxes and therefore, will be exempt from paying taxes on the purchase and sale of real estate in Judea and Samaria.

Please note, our discussion relates only to the payment of Israeli taxes. You should advise with your foreign based attorney or accountant as to the taxes you might need to pay in your country of origin on real estate transactions made in Judea and Samaria.

### **How are Israeli residents/citizens defined under Israeli tax law?**

Section 16a of the Israeli Real Estate Tax Law defines an Israel resident as one of the following:

- A. One who is entitled to register or is registered already in the Israeli Ministry of Interior.
- B. An Israeli resident.
- C. One who is entitled to immigrate according to Law of Return (Hok Ha-shv t) and is living in Judea and Samaria.

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Therefore, foreign residents who are not citizens or residents of Israel are exempted from paying taxes such as Capital Gains Tax and/or Property Taxes (*Mas Shevach and Mas Rechisha*) when buying or selling an apartment in Judea and Samaria.

Furthermore, foreign citizens could also be exempted from Income Tax from rental income of apartments located in Judea and Samaria, because Income Taxes apply only to citizens or residents of Israel in this area.

In conclusion, investing in Judea and Samaria can be worthwhile in terms of taxation. As such, if you are a foreign citizen and resident and want to buy an apartment in Efrat, Hashmona'im, Neve Daniel Etc. (among other attractive communities) you may be exempted from Israeli taxes on your purchase. However, every case is different, and you must consult an expert lawyer in property and income tax prior to buying or selling in the region of Judea and Samaria (over the Green Line).

**Note:** *This information is not intended to constitute legal advice and should not be relied upon in lieu of consultation with the appropriate legal advisors in your own jurisdiction.*

Please refer to other articles in our series: "**The *Ins* and *Outs* of Real Estate in Israel**" for non-Israelis on [www.epsteinlaw.co.il](http://www.epsteinlaw.co.il).