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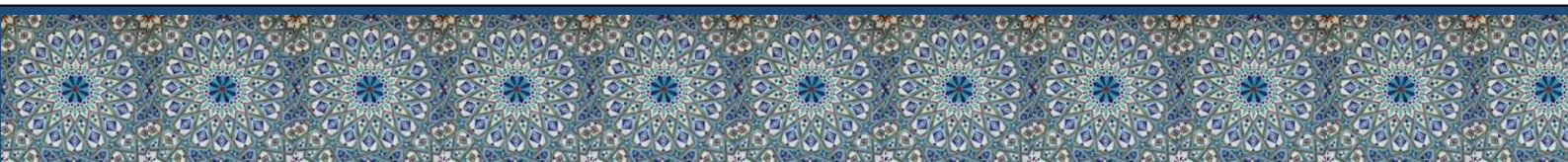
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COUNTRY FOCUS

Israel – A Country of Immigration¹

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Israel is a small country, about the same size as Belgium in Europe or New Jersey in North America. It is located on the eastern shore of the Mediterranean Sea and has excellent access by air and sea to Europe, Africa, Asia and North America. If the Middle East peace process were to move forward, Israel's strategic position and human resources could, in our view, make it a central pillar of economic trade in the region.⁴

Recent statistics show that Israel's population is comprised of 75% Jewish people and 25% non-Jewish people.⁵ The Declaration of Independence of the State of Israel of May 14, 1948 is considered to be a "quasi-constitutional" document due to its constitutional nature and the fact that it is not legally binding as other constitutions in the world, such as that of the USA. The Declaration provides as follows:

The State of Israel . . . will be based on freedom, justice and peace as envisaged by the prophets of Israel; it will ensure complete equality of social and political rights to all its inhabitants irrespective of religion, race or sex; it will guarantee freedom of religion, conscience, language, education and culture.

"Leom" and Citizenship

The word "Leom" is mistakenly considered as synonymous to "nationality" or "citizenship." This mistake brings about, in turn, the erroneous conclusion that there are different classes of citizenship, and that therefore people of different leoms, *i.e.*, people of different ethnic or religious groups, do not enjoy equal rights. In fact, the word "Leom" refers to one's faith. This means that one can belong to the Jewish leom, *i.e.* the group of Jewish people worldwide, and not necessarily be an Israeli citizen as well.

For a Jewish person to become an Israeli citizen, he or she must complete an immigration procedure. Once the procedure is completed, the person is considered as an "Oleh Chadash" (New Immigrant), which means that he or she is eligible to become an Israeli citizen.

Any person of a Jewish family can initiate the immigration procedure and become an Oleh Chadash. While this process usually takes time and requires the immigrant to fulfil several conditions in order to receive this status, under the Law of Return of 1950, a Jewish person can acquire the status automatically. This special right was given to Jewish people shortly after the establishment of the State of Israel in order to assist the hundreds of thousands of Jewish refugees who survived the Holocaust, as well as Jewish people in many countries who wanted to leave their countries due to discrimination, such as the Jewish people of Iraq and Yemen in the 1950's, and the Jewish people of the former USSR in the 1990's.

Benefits for new immigrants and returning residents⁶

The Israeli Income Tax Ordinance includes exemptions and other significant relief in relation to new immigrants and returning residents. A reform that came into force in 2007 significantly expanded the exemptions granted to those individuals. The principal benefits are given to a new immigrant (one who became an Israeli resident for the first time) and a long-term returning resident (someone returning to Israel after having resided outside Israel for at least 10 years). Limited benefits are also given to regular returning residents (someone returning to Israel after having been a foreign resident for at least six years).

New immigrants and long-term returning residents are exempt from tax on all income generated outside Israel or whose source is from assets outside Israel for ten years from their date of immigration or return to Israel, including in relation to activities and assets acquired following the date of immigration or return. A regular returning resident is exempt from tax for five years from the date of return on current income (interest, dividends, royalties, rentals and pensions) generated outside Israel or whose source is from assets outside Israel, and for ten years on capital gains from the sale of such assets, all this being in relation to assets acquired by him or her while being a foreign resident.

New immigrants and long-term returning residents need not report their exempt income nor report on their assets located outside Israel for a period of 10 years from their date of immigration or return to Israel.

Conclusion

As evident above, the State of Israel encourages Jewish people from all over the world to immigrate and enjoy a full life. Israel, the country of immigrants, absorbed a mass number of people coming from 70 countries. Over the years, many of them established a culture of science and technology, which has made Israel known as a “Startup Nation.”