

Second German Israel Macroeconomic Dialogue

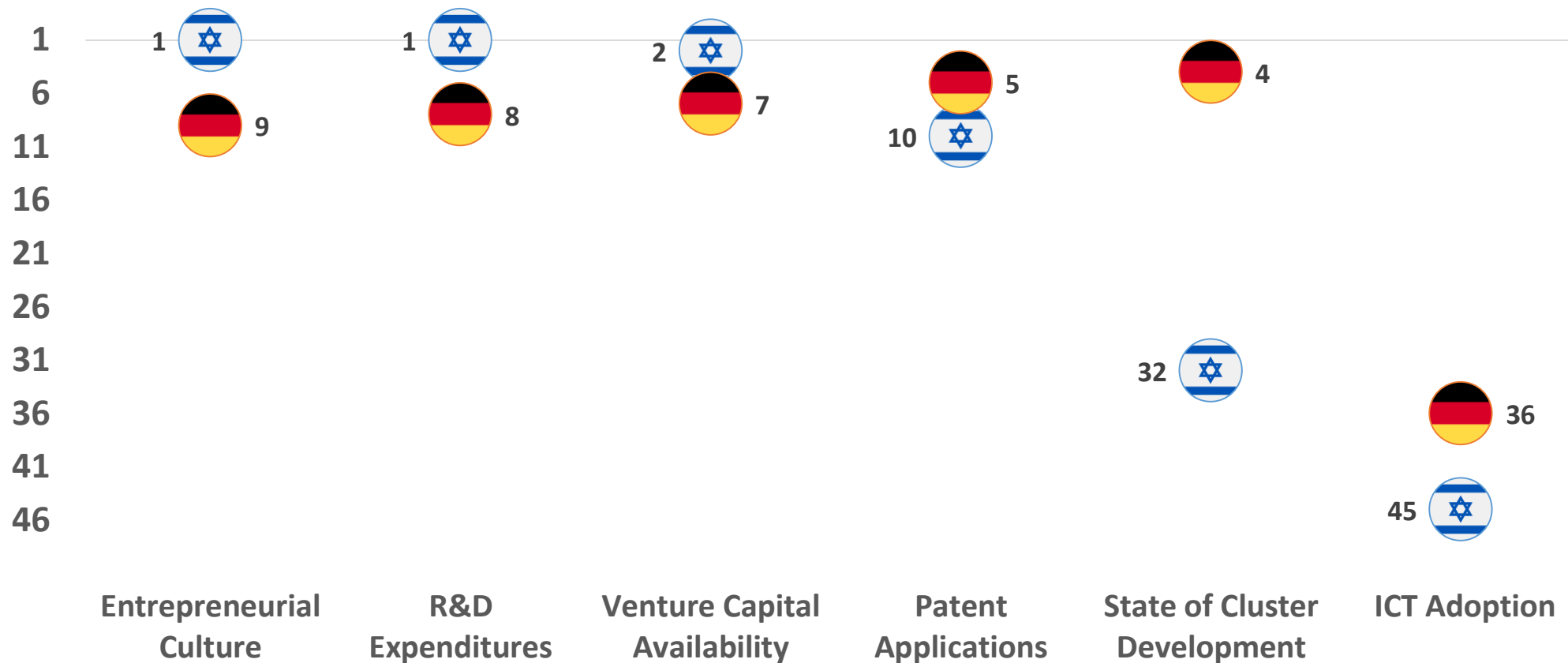
R&D, Start-ups and VC Policy

November 4th, 2019

Israel & Germany

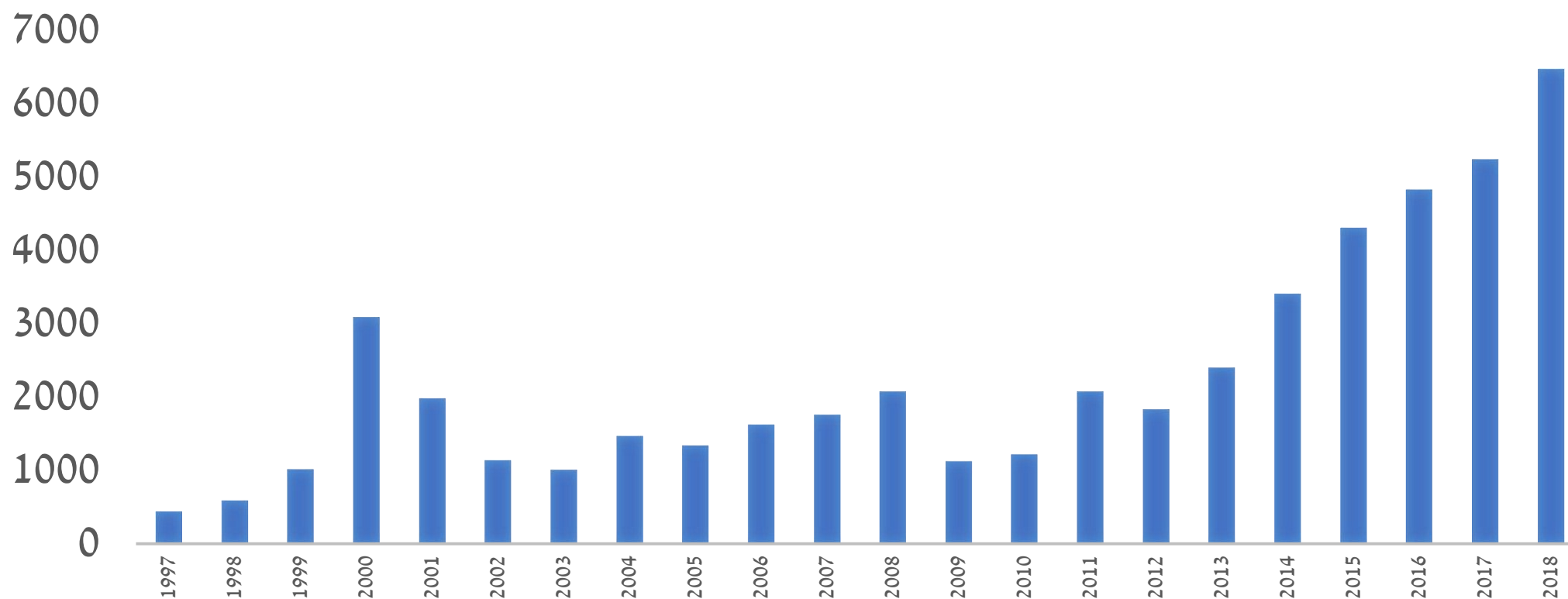
A tale of two innovation-driven economies

WEF Global Competitiveness Rankings, 2019



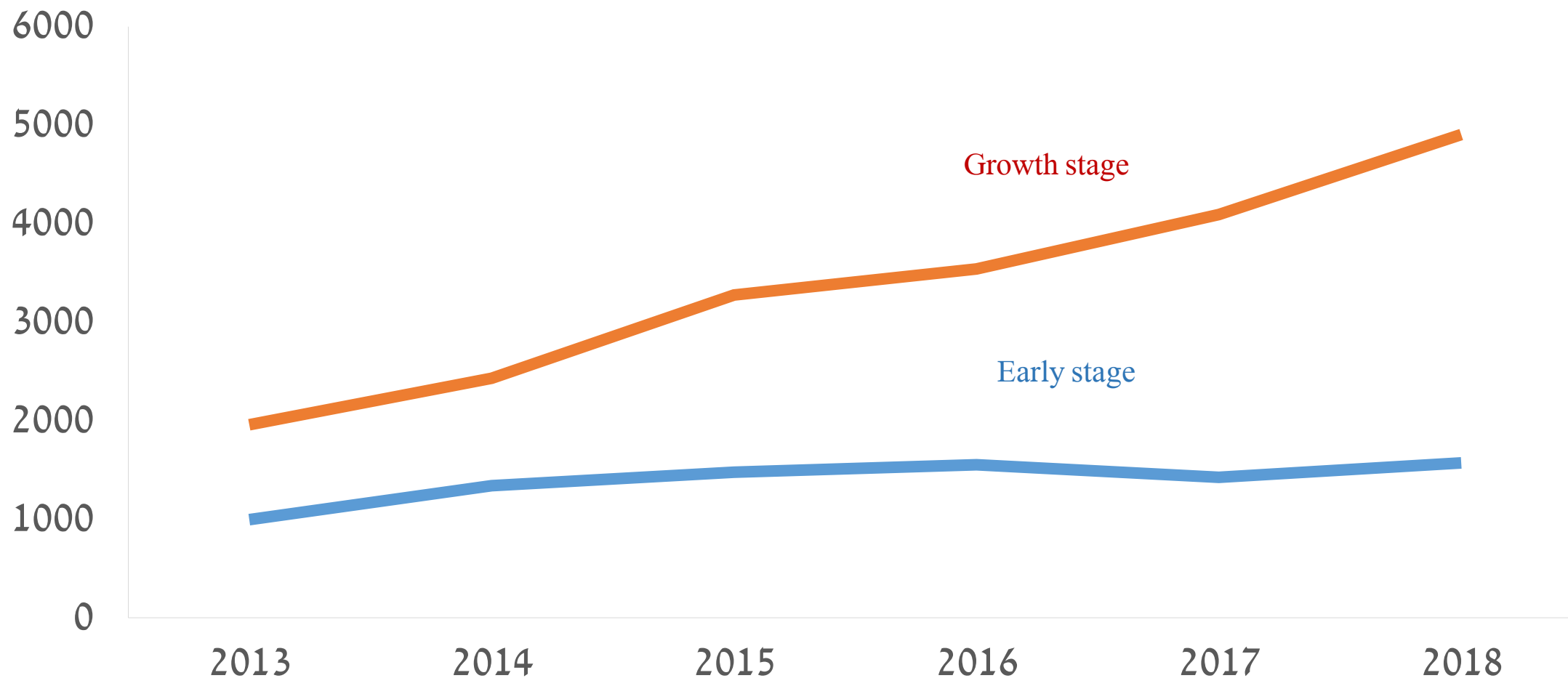
VC Funding is Growing

VC Financing of Israeli Firms (\$M)



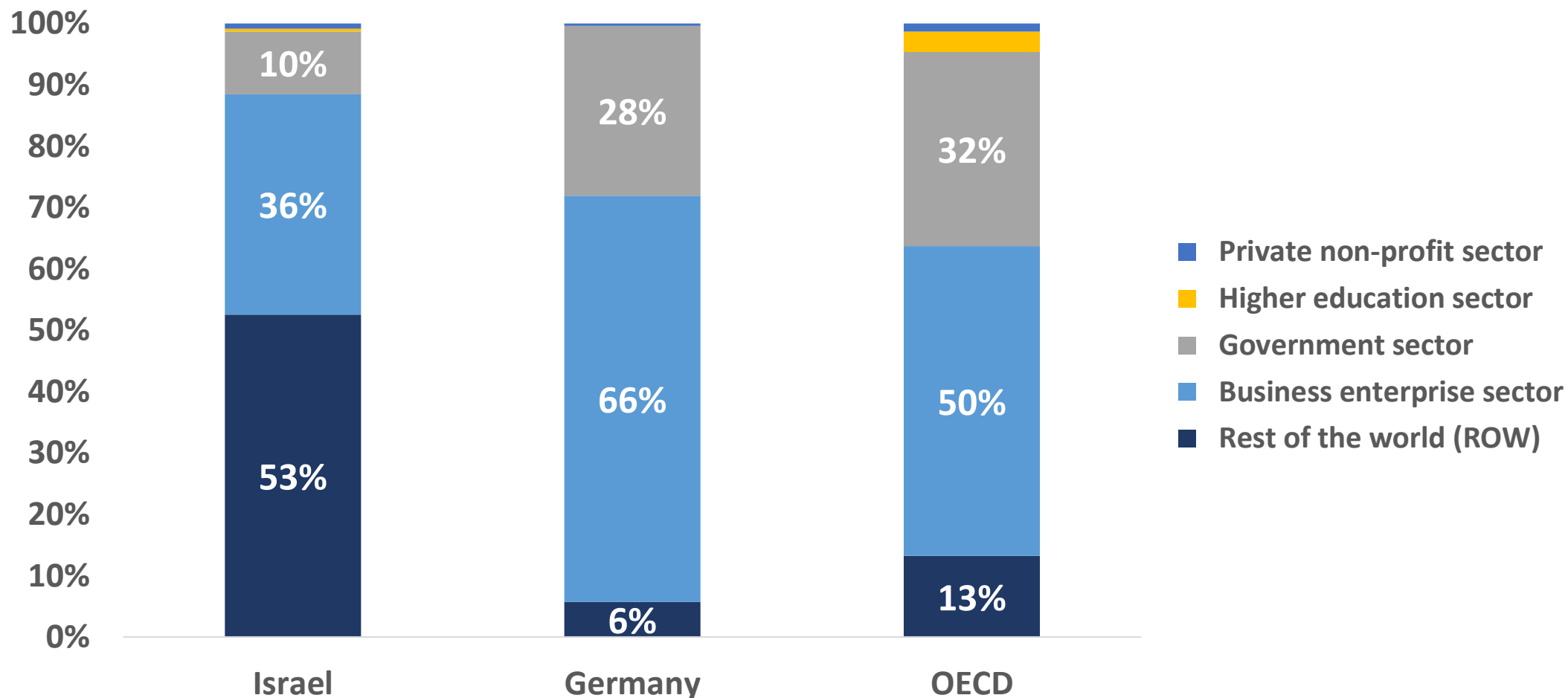
Israeli High-Tech is Maturing

Funds raised according to the life cycle of the company (M\$)



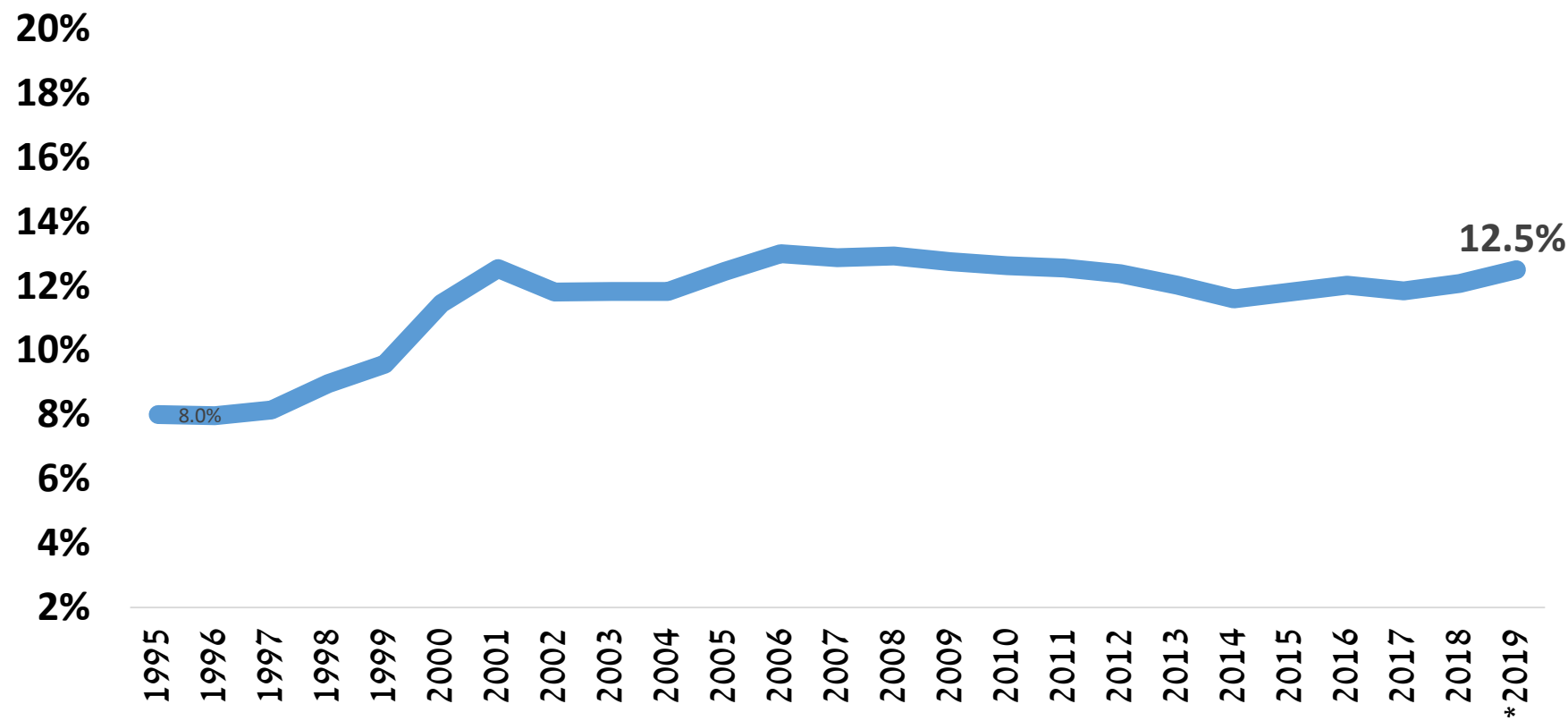


Exceptional Share of Foreign Funding, Low Government Funding to R&D



The Human Capital Challenge

Employees in the high-tech sector (% of Business Sector Employees)



- ~15,000 Vacant Jobs
- Soaring Salaries
- Increasing Turnover
- Effective Barrier to Israel's Growth
- Unexploited Potential:
 - Women
 - Ultra Orthodox
 - Arabs
 - Inexperienced Talent

Main Funding Policies

Early Stage:

- The Israeli Innovation Authority grants – moderate in global perspective
- The Angels Law - Tax incentives for investors in start-up companies

Profitable Firms / International R&D Centers

- Capital Investments Law – Lower Tax Rates for High Tech
 - Tax reduction for IP registration
- R&D investment deductions
- **R&D Tax Credits Non Existent**

Other Policies:

- Government-backed VCs for Institutional Investors



1993: “Yozma” (Initiative)

Government

\$100m

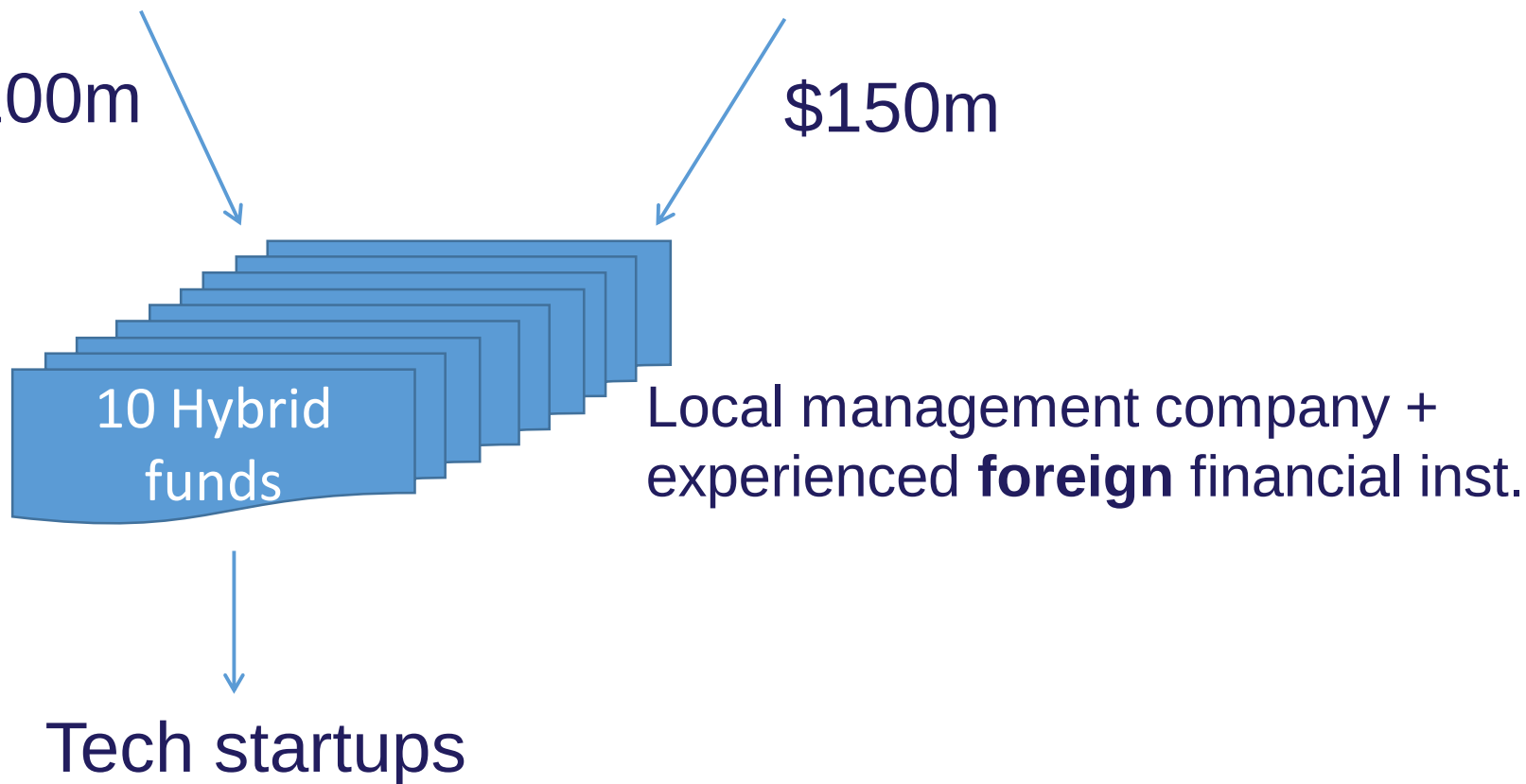
Financial institutions

\$150m

10 Hybrid
funds

Local management company +
experienced **foreign** financial inst.

Tech startups



US Tax Reform - Challenges

- **GILTI**
 - Some US companies/investors R&D Centers will face higher tax rates on foreign holdings
- **BEAT**
 - Companies with US sales > \$500Bn will face ~10% tax on income brought back
- **QSBC**
 - Tax exemptions for investment in US startups, incentivizing registration in the US



Thank You