



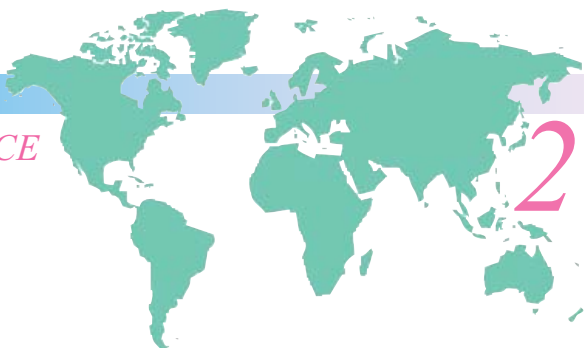
Ministry of Industry Trade and Labor

THE ISRAELI ECONOMY AT A GLANCE 2008



October 2008

DATA REFERS TO 2007



INTRODUCTION

THE ISRAELI ECONOMY AT A GLANCE

The Israeli Economy at a Glance, as the title suggests, provides the reader with an overall picture of the Israeli economy in graphic, tabular and textual form.

The continued widespread demand for this publication has encouraged us to keep amendments to a minimum, aside from the annual statistical updates.

Essentially the publication is divided into three main sections:

The first section contains basic macro-economic data, foreign trade statistics and international comparisons portrayed in graphical form.

The second section contains tables of data, particularly major economic and industrial indicators, enabling a quick look at recent trends and developments in the growth of the local Israeli economy.

The third section of the publication reviews selected economic policy and industrial policy, enabling a brief understanding of macro-economic policy in general and the Ministry's contribution in particular.

Furthermore, the reader will find a comprehensive list of world-wide contacts appended to the main publication.

Our internet website also provides a wide range of information including this publication and many others.

Our main address, at which a full English text is available is: www.moital@gov.il

The editor.



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ISRAEL

FACTS & FIGURES 2007

Figures refer to millions of U.S. \$ unless otherwise stated.

Gross Domestic Product	163,961
Business Sector Product	121,132
GDP Per Capita (U.S.\$)	22,835
Investment in Fixed Capital	32,973
Imports of Goods (Net)	56,105
Exports of Goods (Net)	45,917
Industrial Exports*	41,393
of which, hi-tech	15,781
Imports of Goods and Services**	73,634
Exports of Goods and Services**	70,904
Population Average (Thousands)	7,180
Unemployment Rate (%)	7.3
Inflation Rate (CPI-%)	3.4

* Including net polished diamonds

** Balance of payments figures.

Source: Israel C.B.S



ISRAEL'S EXPORTS OF GOODS, 2007

(MILLIONS OF U.S. \$)

TOTAL EXPORTS – 54,092*



Unclassified-\$2,092 (3.9%)

* Before reduction of returned goods

** 1. N.America including: U.S.A., Canada & Mexico

2. Export to U.S.A.- \$18,907 (35%)

*** Including Asian Republics of former U.S.S.R

Source: C.B.S.

ISRAEL'S IMPORTS OF GOODS, 2007

(MILLIONS OF U.S. \$)

TOTAL IMPORTS – 56,623*



Unclassified-\$7,891 (13.9%)

* Before reduction of returned goods

** 1. N.America including: U.S.A., Canada & Mexico

2.Import from U.S.A.- \$7,849 (13.9%)

***Including Asian Republics of former U.S.S.R

Source: C.B.S.

THE ISRAELI ECONOMY AT A GLANCE

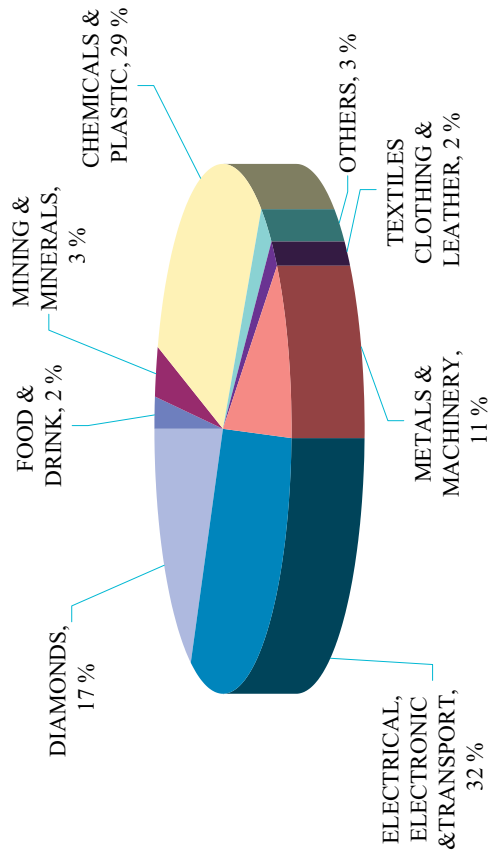
2008



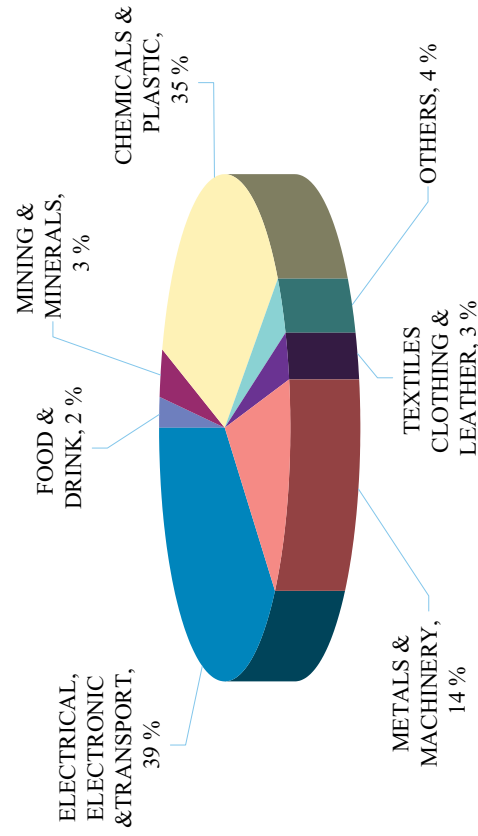


INDUSTRIAL EXPORT BY MAJOR BRANCHES, 2007

Total Industrial Exports
41,393* Millions of U.S.\$

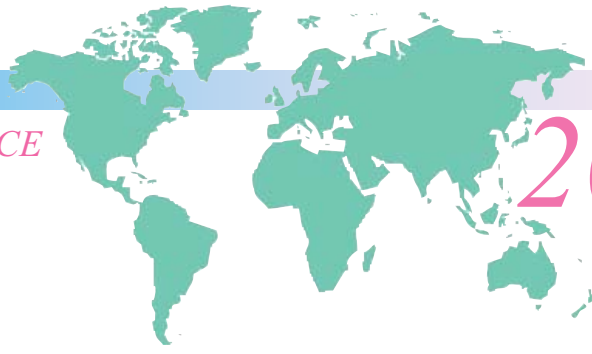


Exports Excluding Diamonds
34,276 Millions of U.S.\$



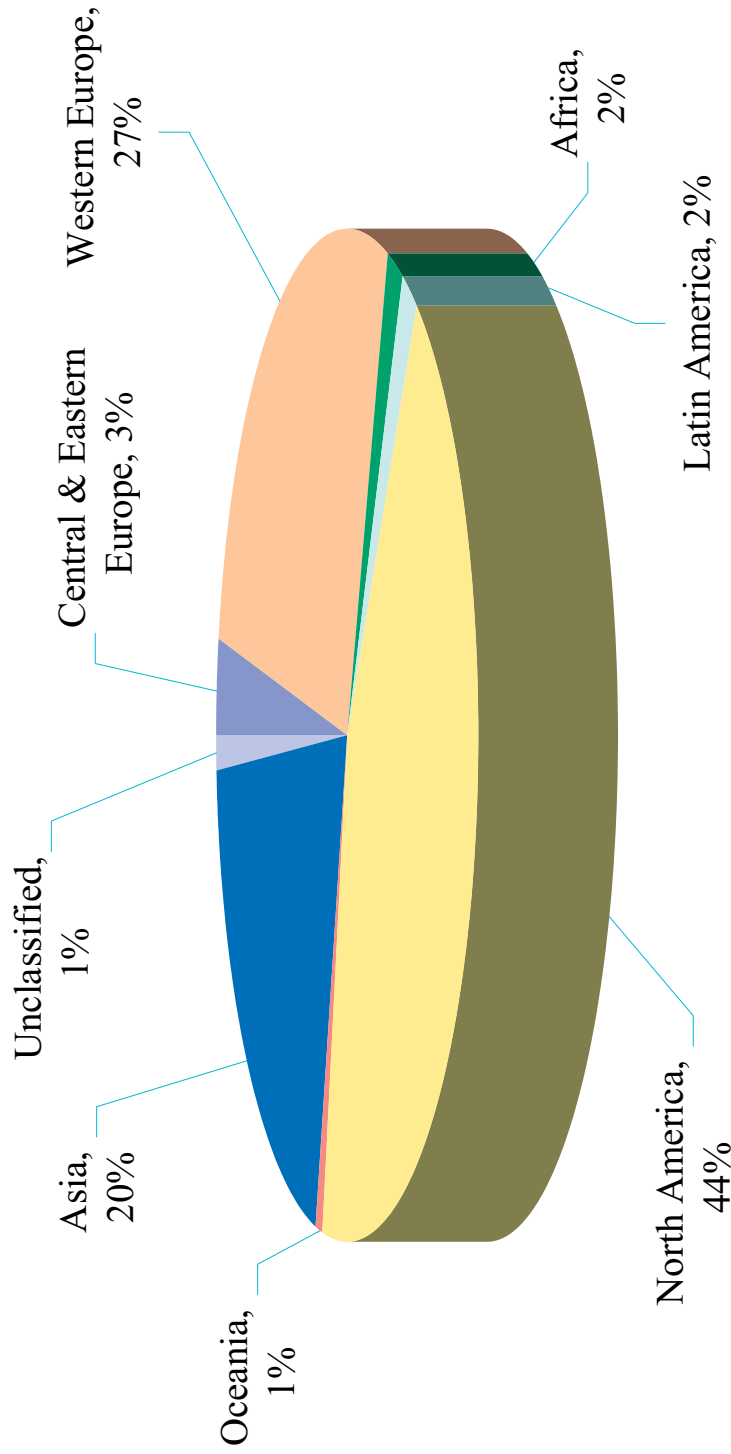
*Including Net Polished Diamonds

Source: Israel C.B.S



CONTRIBUTION OF SPECIFIC REGION TO EXPORT GROWTH

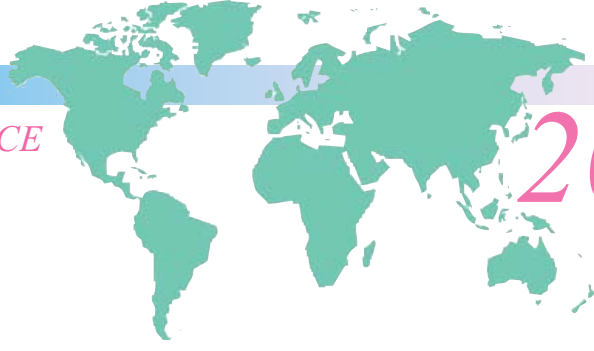
2007 Compared to 1999
Increment of \$ 21,432 million



Source: Israel C.B.S

THE ISRAELI ECONOMY AT A GLANCE

2008



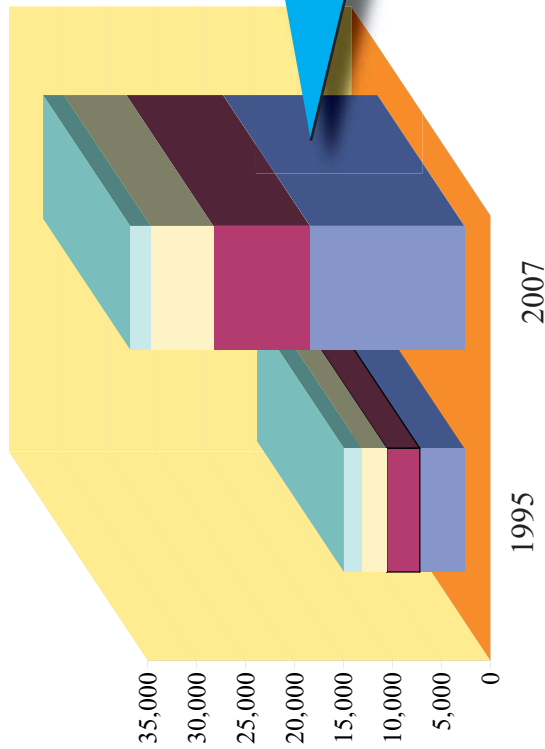


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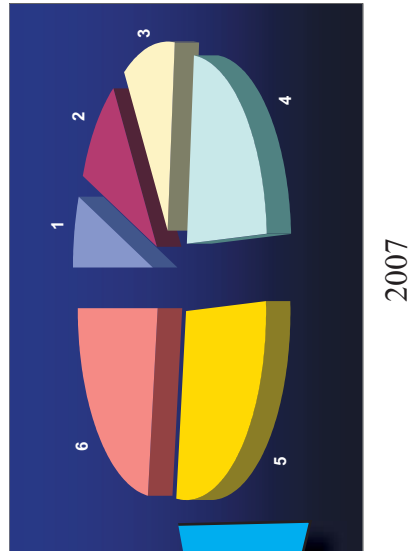
COMPOSITION OF INDUSTRIAL EXPORTS 1995 VS. 2007

TOTAL INDUSTRIAL EXPORTS EXCLUDING DIAMONDS:

IN 1995 - \$ 12,302, IN 2007 \$ 34,276 MILLION

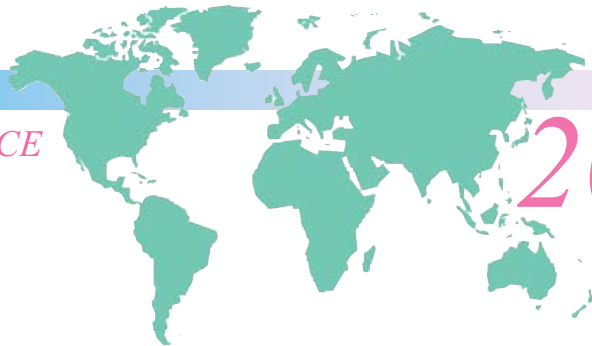


	1995	2007
HI-TECHNOLOGY INDUSTRIES	4,549	15,781
MID-HI-TECH INDUSTRIES	3,388	9,875
MID-LOW-TECH INDUSTRIES	2,542	6,375
TRADITIONAL (LOW-TECH) INDUSTRIES	1,823	2,245
TOTAL INDUSTRY	12,302	34,276



1- Office & computing equipment	957
2- Electronic components	1,545
3- Aircraft industries	1,645
4- Electronic communication equipment	3,618
5- Industrial medical & control equipment.	4,379
6- Pharmaceutical products	3,637

THE ISRAELI ECONOMY AT A GLANCE

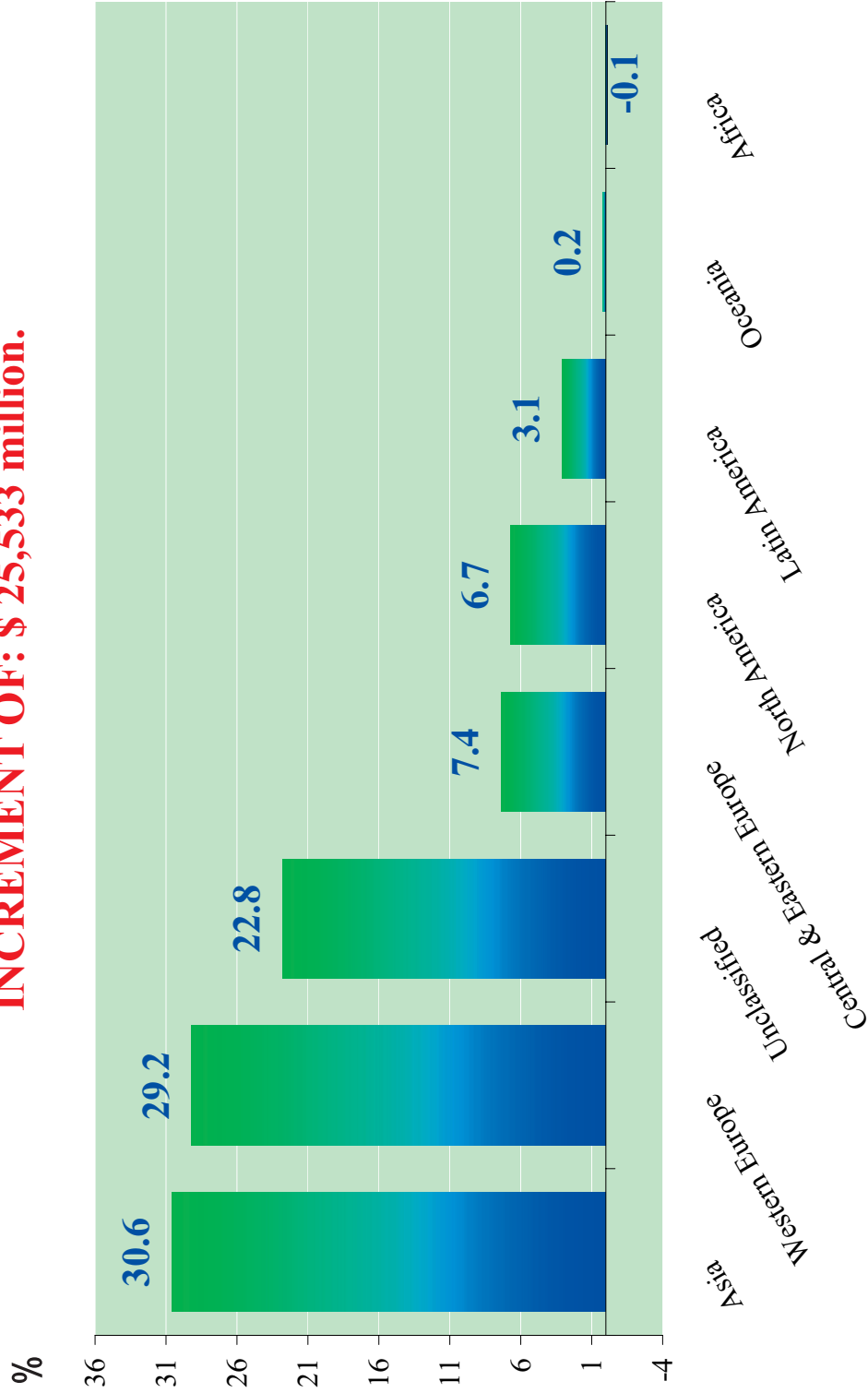


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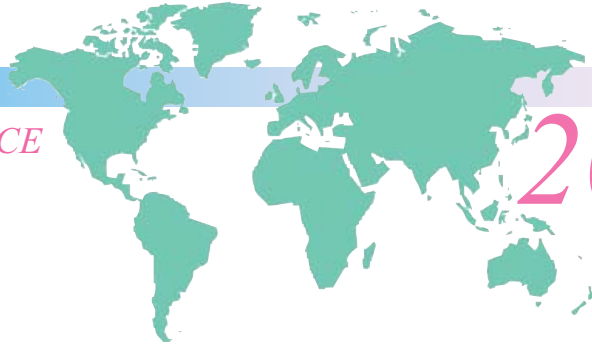
Source: Israel C.B.S

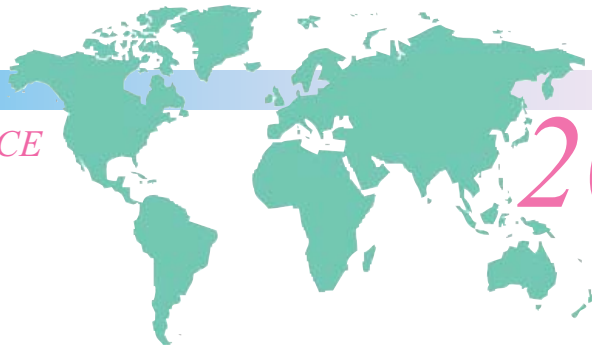
BREAKDOWN OF IMPORT INCREASE BY REGION

2007 COMPARED TO 1999
INCREMENT OF: \$ 25,533 million.



Source: Israel C.B.S

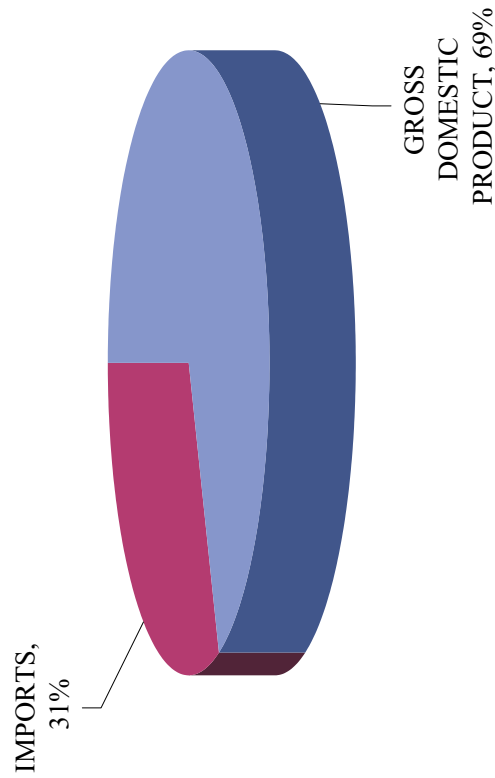




RESOURCES AND USE OF RESOURCES 2007

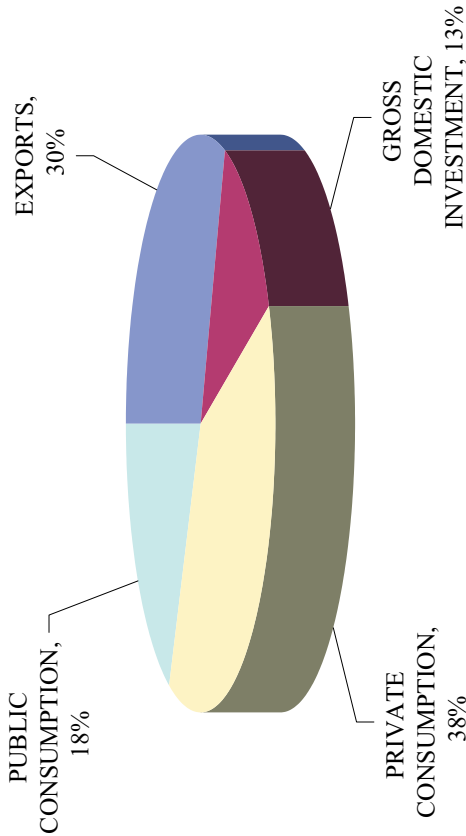
RESOURCES

(236 BILLION U.S.\$)



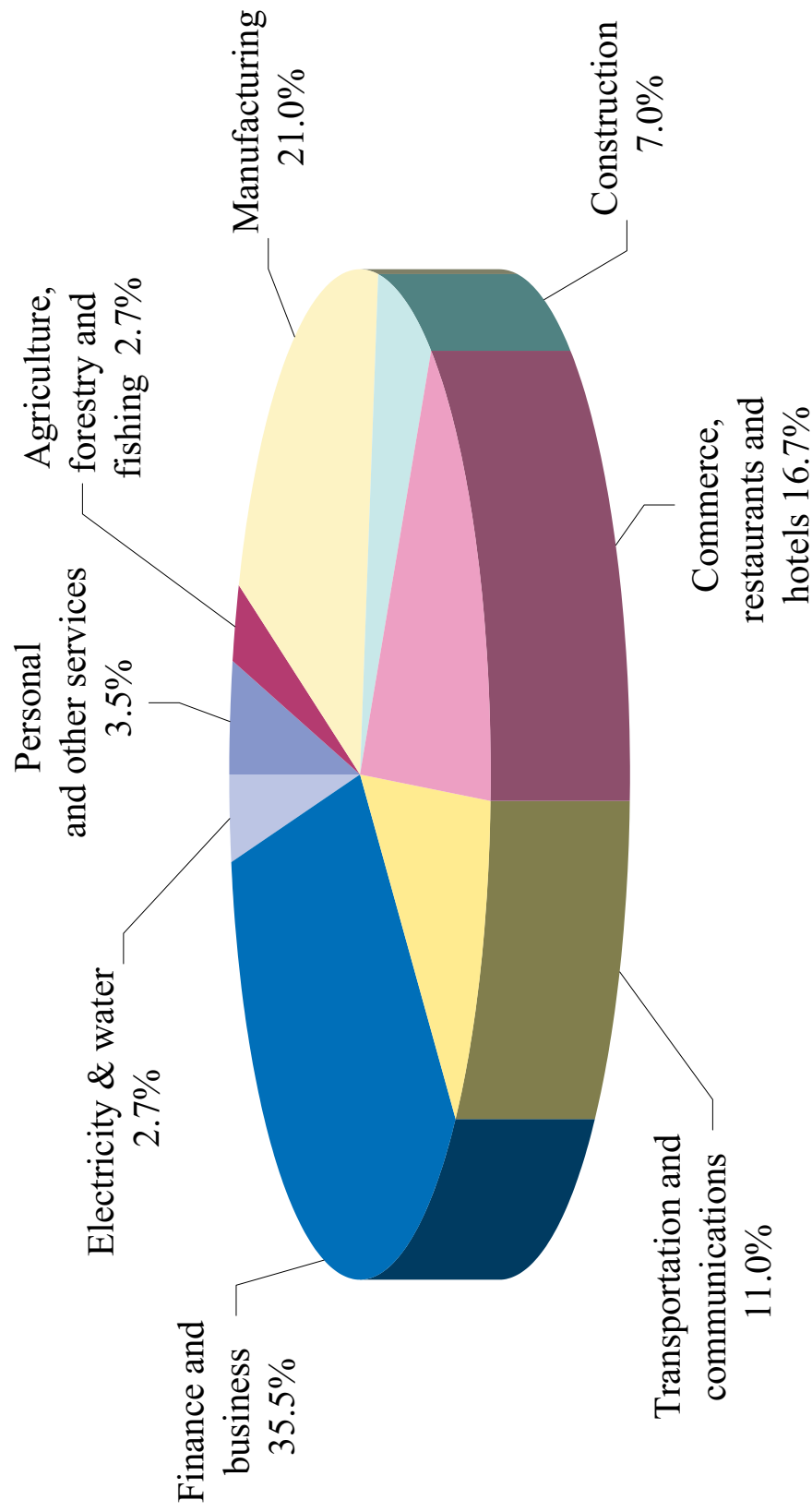
USE OF RESOURCES

(236 BILLION U.S.\$)



Source: Israel C.B.S

BUSINESS PRODUCT COMPOSITION 2007



Source: Israel C.B.S

THE ISRAELI ECONOMY AT A GLANCE

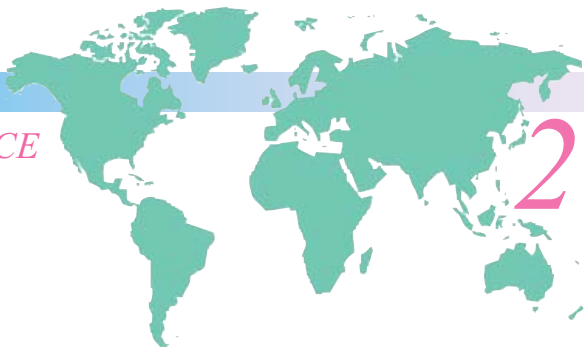
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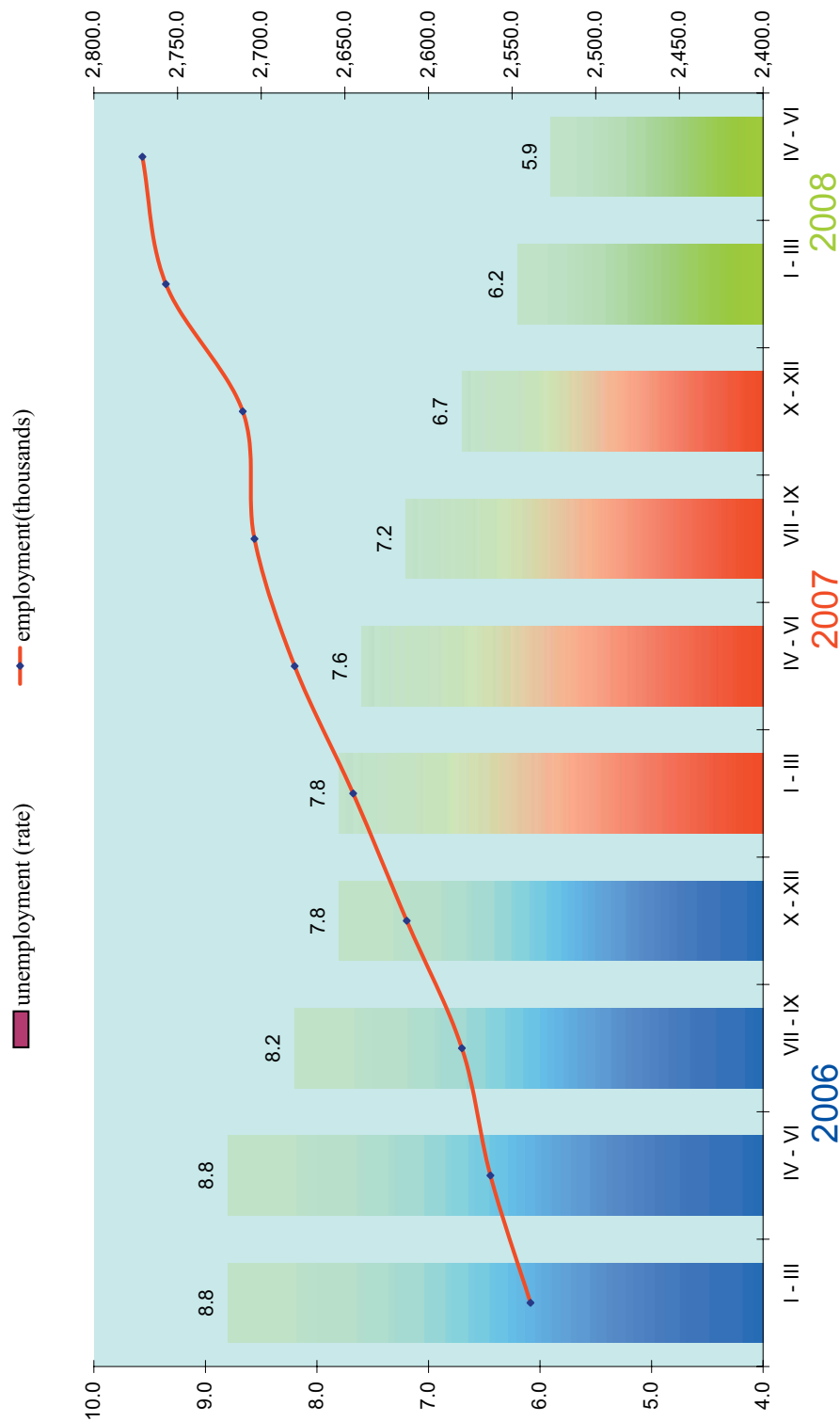


QUARTERLY EMPLOYMENT & UNEMPLOYMENT SINCE 2006

THE ISRAELI ECONOMY AT A GLANCE



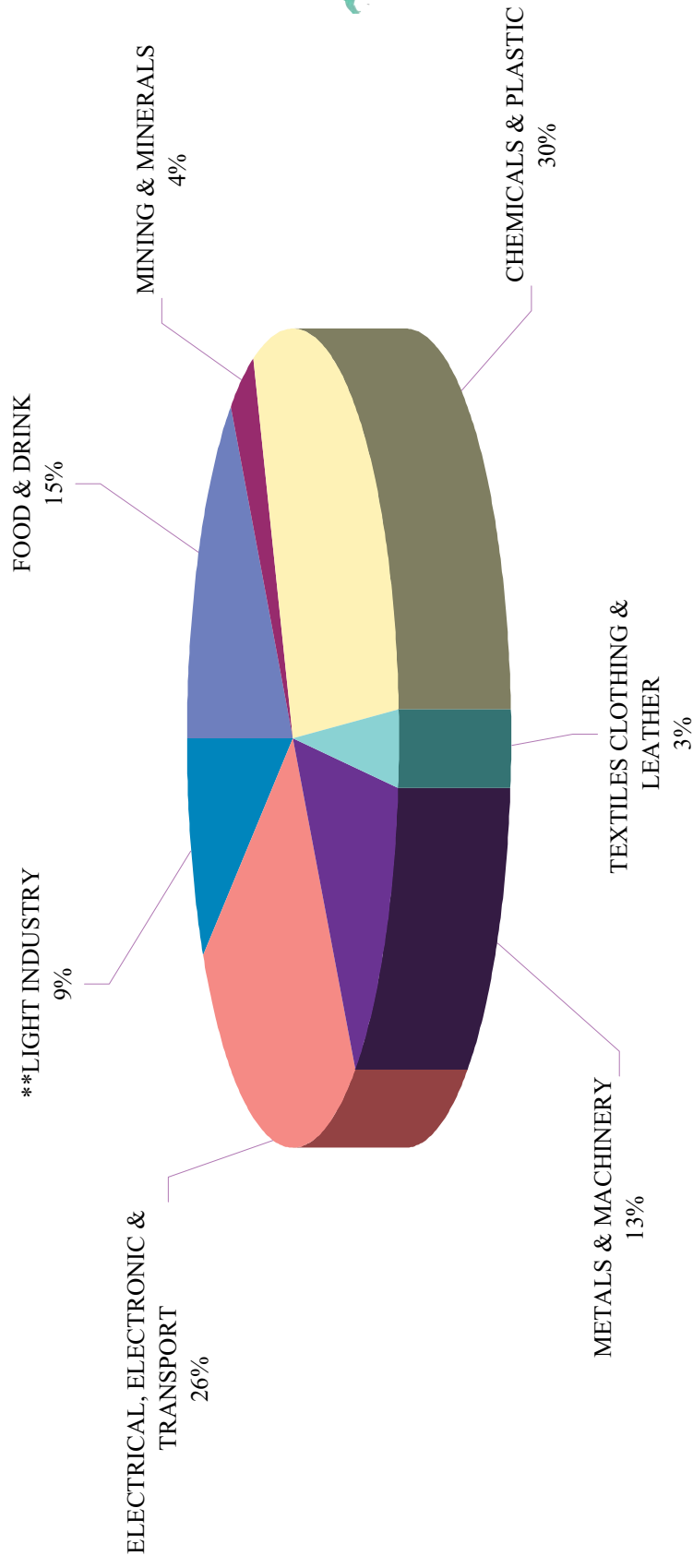
2008



Source: Israel C.B.S

INDUSTRIAL PRODUCTION* BY MAJOR BRANCHES, 2007

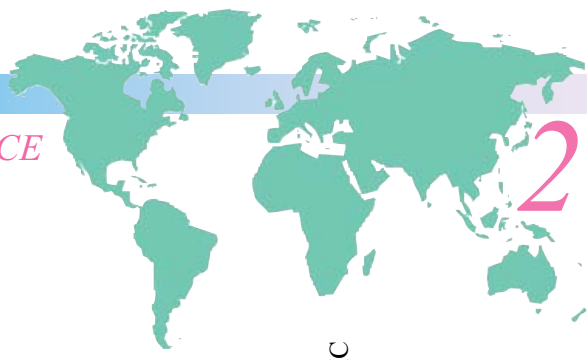
PERCENTAGE BREAKDOWN

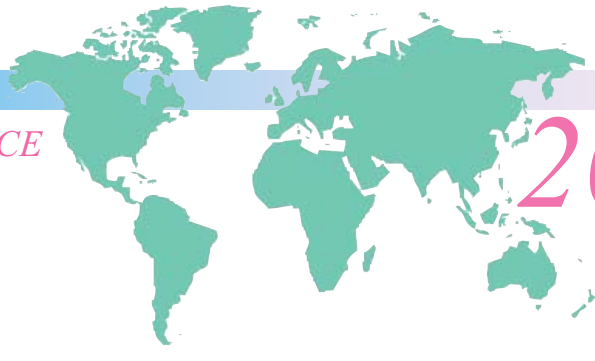


* Excluding diamonds.

**Light industries includes: wood, paper, printing, furniture & jewellery.

SOURCE: Israel C.B.S. and Ministry of Industry, Trade & Labor

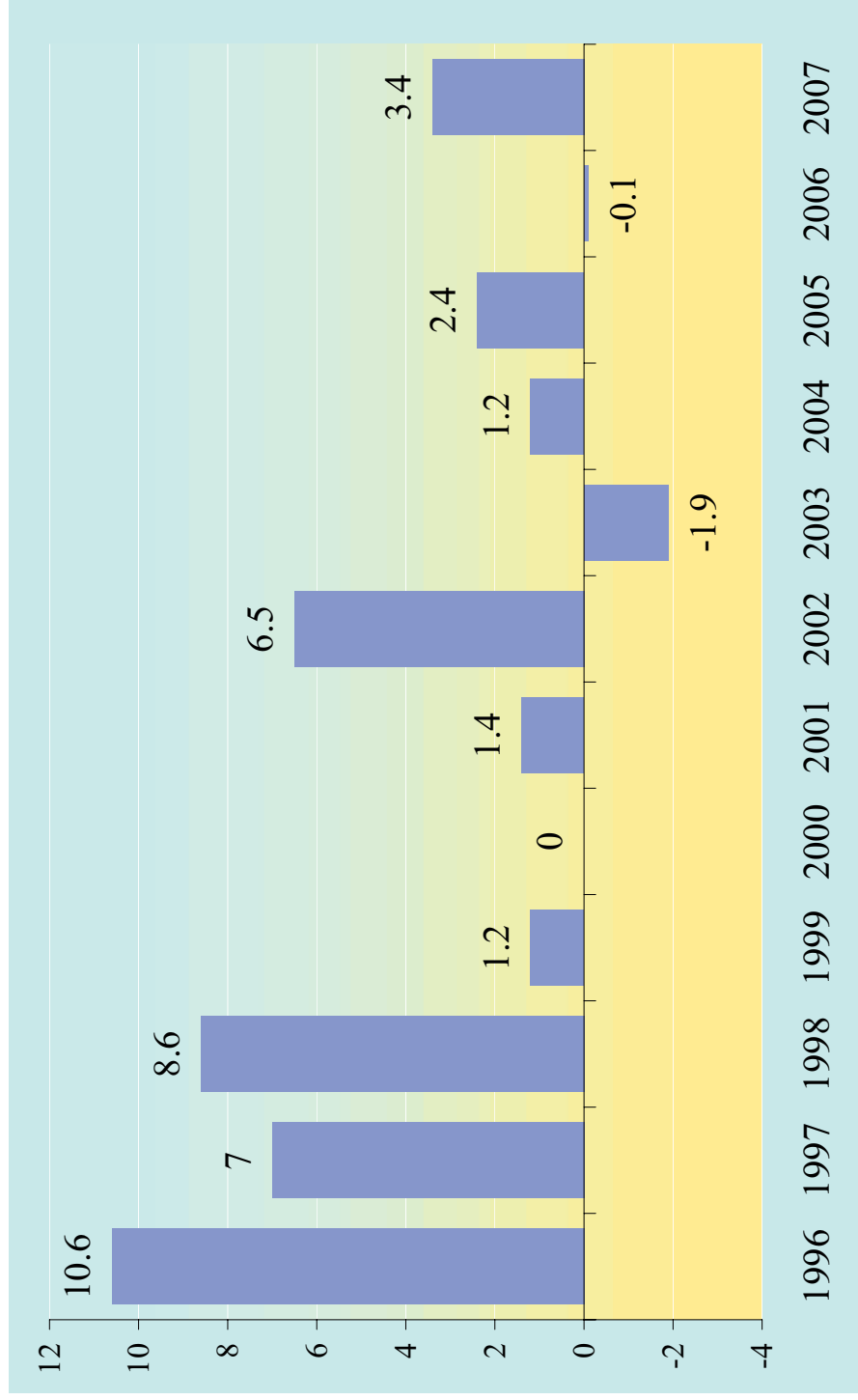




CONSUMER PRICE INFLATION RATES

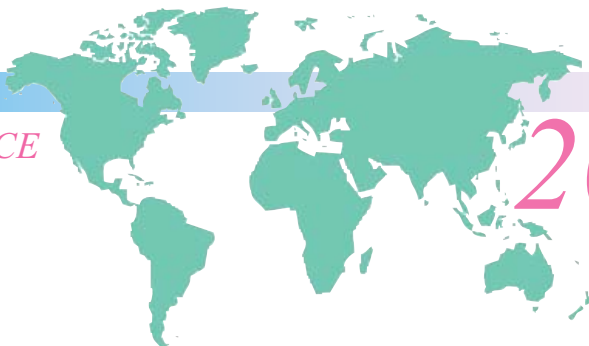
1996-2007

ANNUAL PERCENTAGE CHANGE*

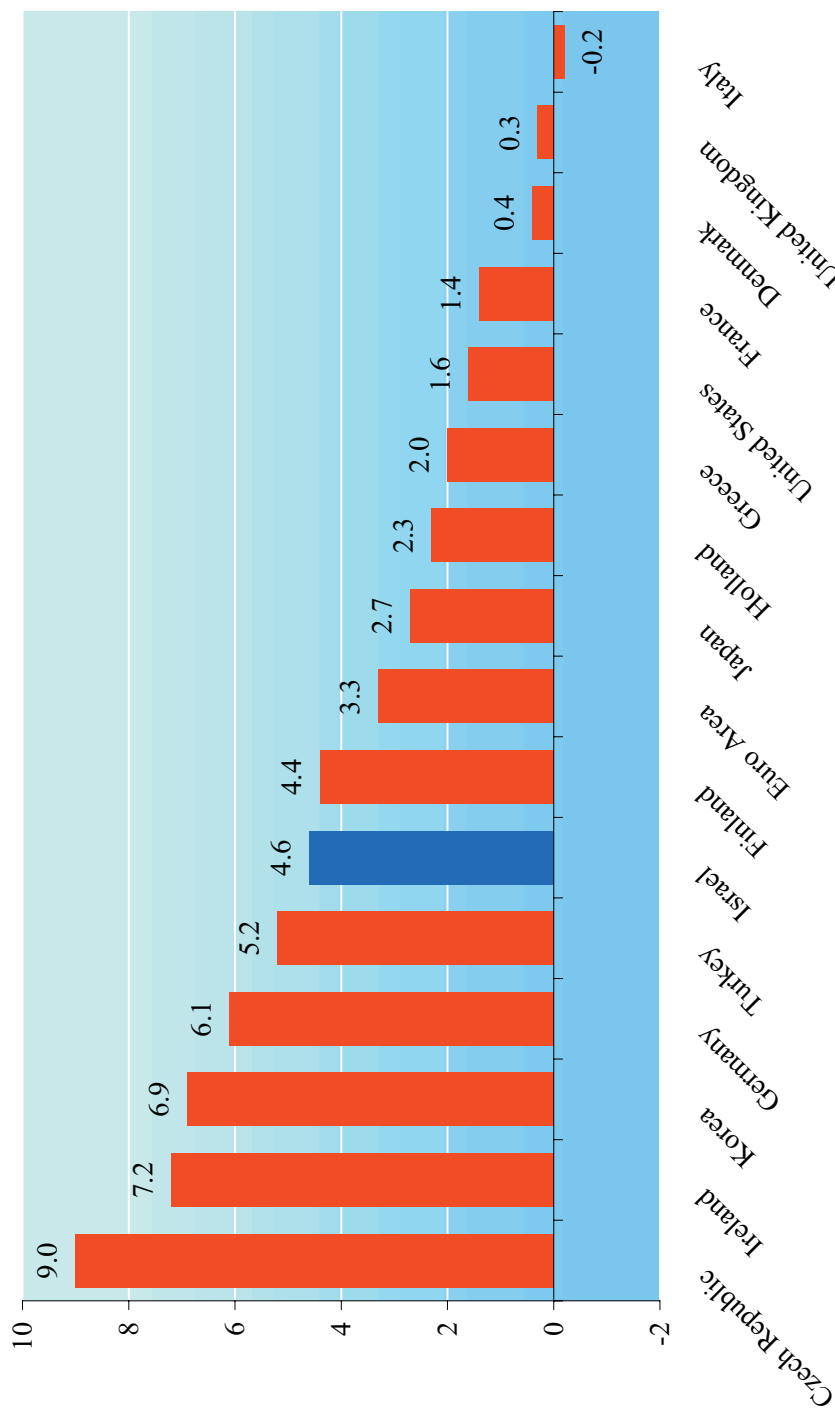


* Year end compared to previous year end

Source: C.B.S. - Prices Division.

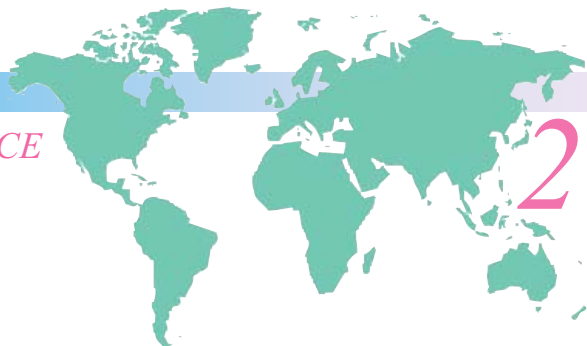


INDUSTRIAL PRODUCTION 2007 REAL ANNUAL PERCENTAGE CHANGE (Compared to 2006)



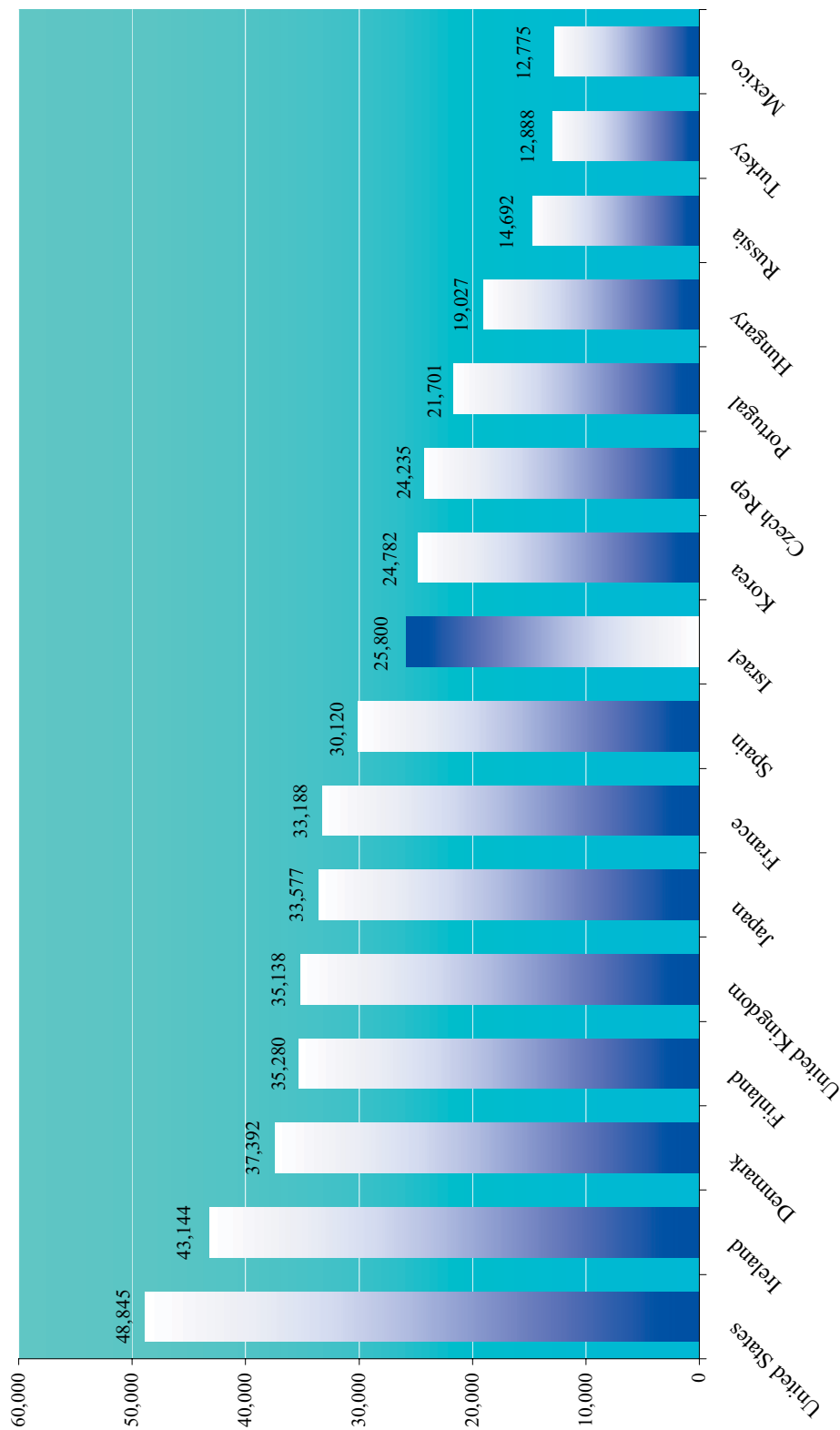
Source: OECD - Main Economic Indicators, Israel C.B.S.



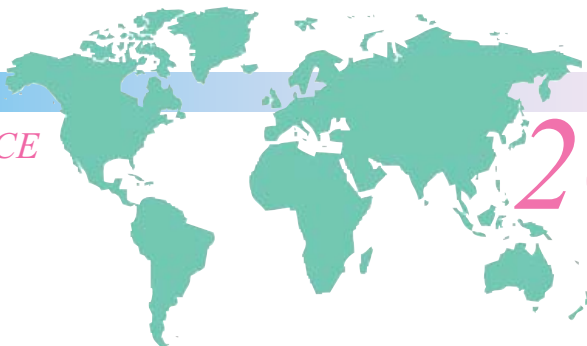


G.D.P per Capita, in P.P.P* , 2007

U.S. Dollars

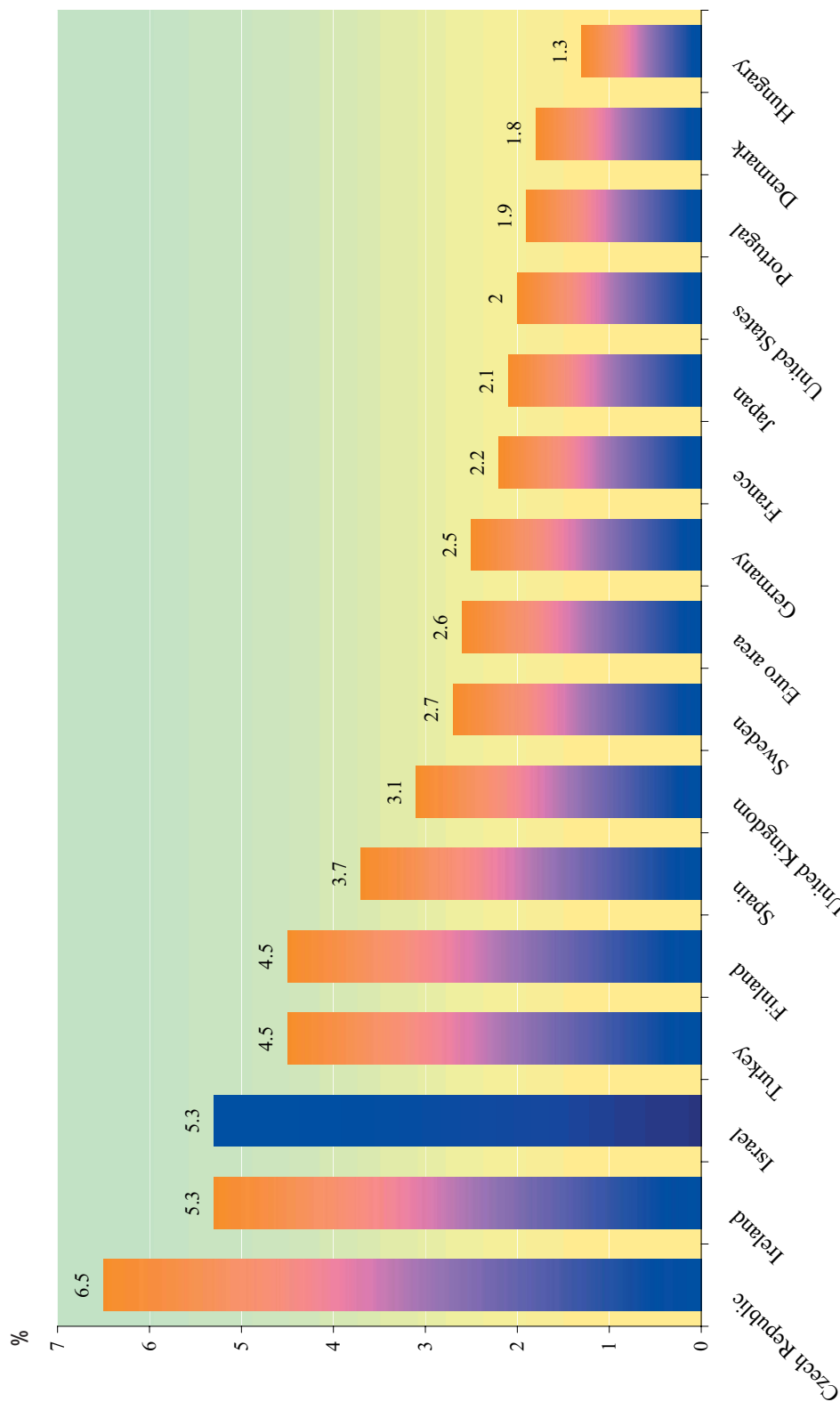


*Purchasing Power Parities
Source: International Monetary Fund, World Economic Outlook Database, 2008.



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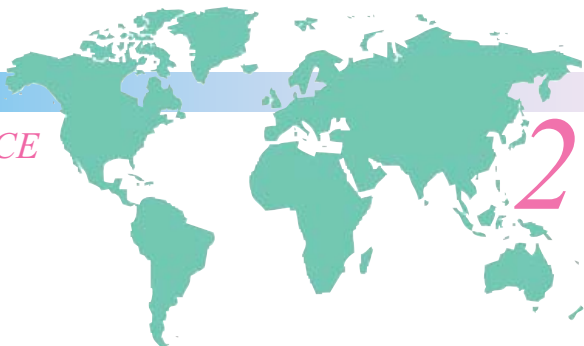
REAL GDP GROWTH 2007



* Source: Eurostat except Israel

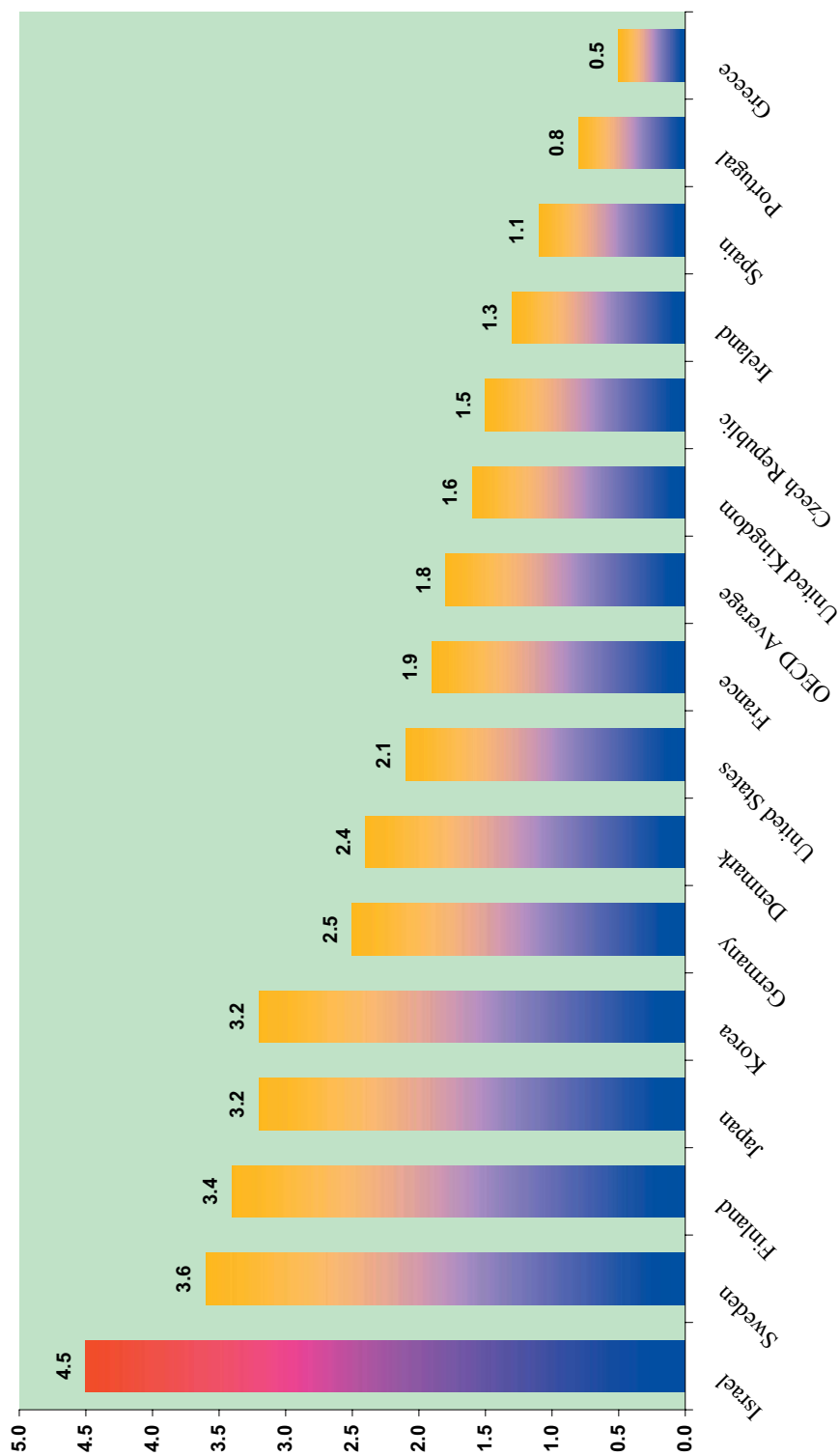
* Estimate





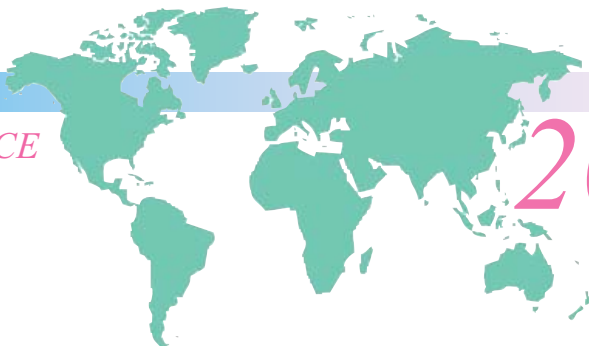
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R&D EXPENDITURE AS A PERCENTAGE OF GDP, 2006 OR THE LATEST AVAILABLE YEAR

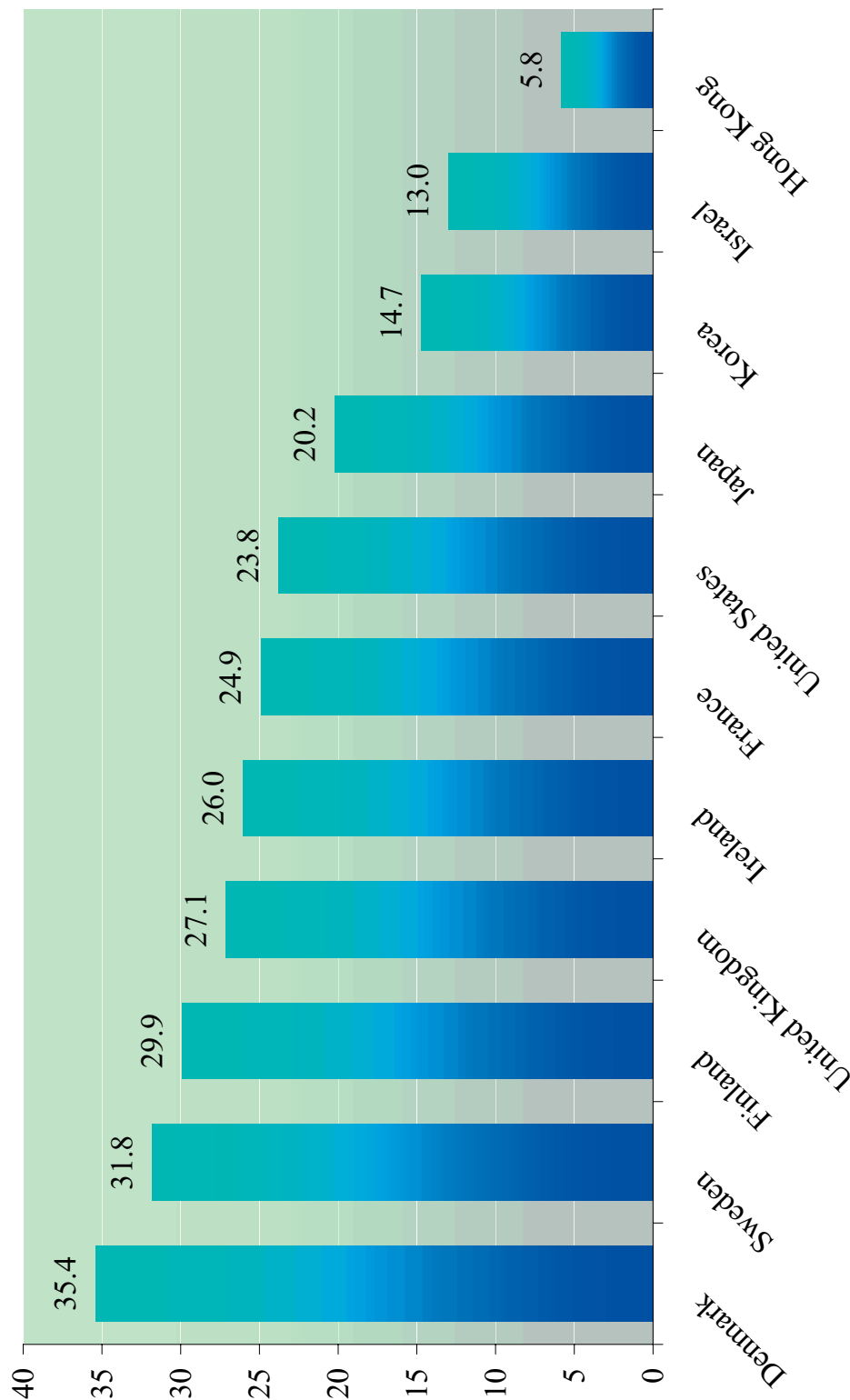


Source: OECD and Israel C.B.S





HOURLY COMPENSATION COST IN MANUFACTURING, 2006 IN U.S. DOLLARS

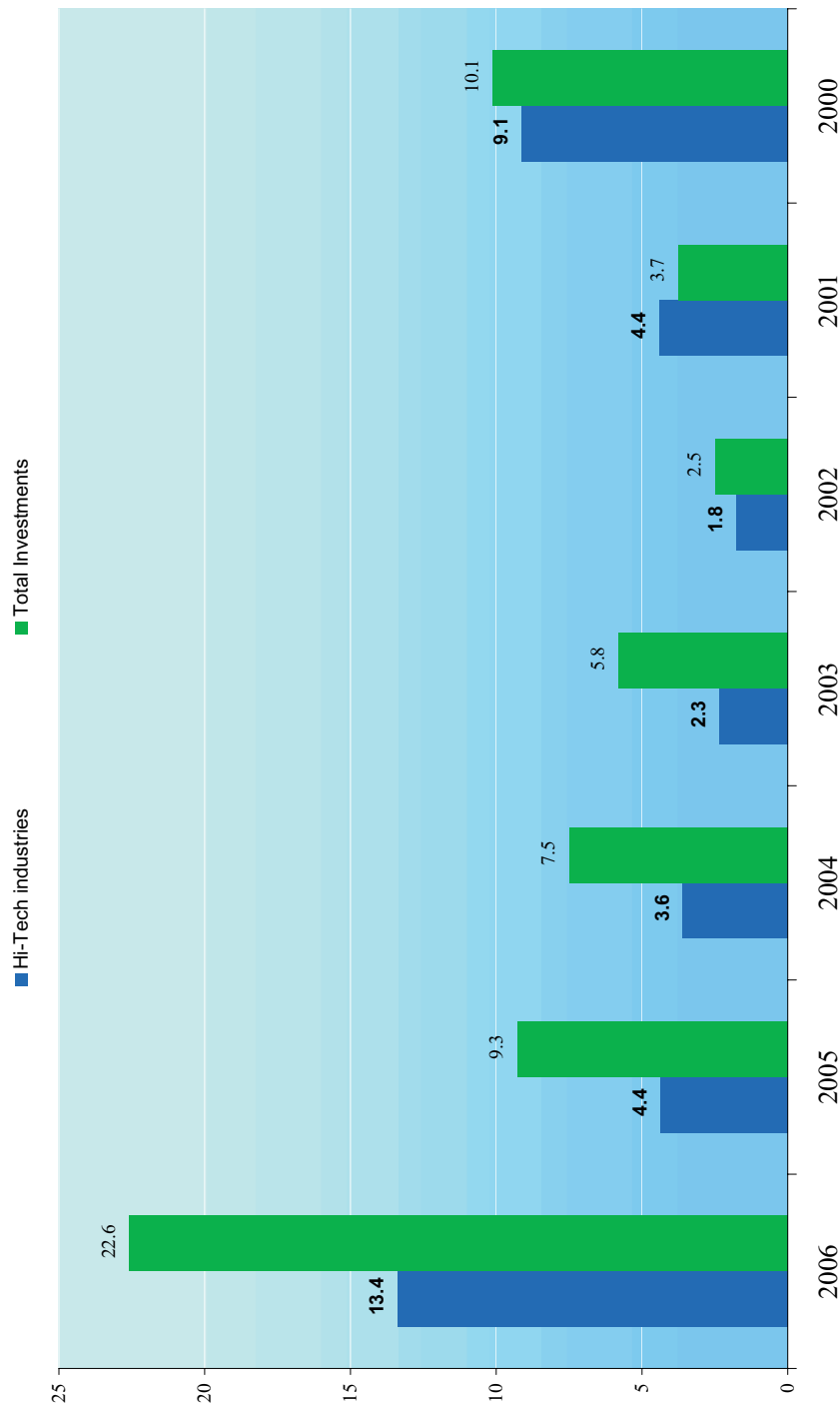


SOURCE: U.S. Bureau of Labor Statistics

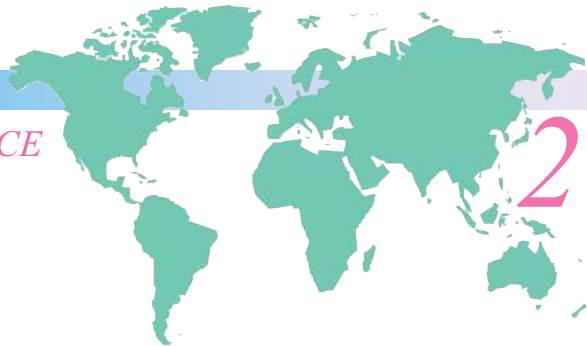




FOREIGN INVESTMENTS IN ISRAEL (DIRECT & PORTFOLIO) BILLIONS OF U.S. DOLLARS

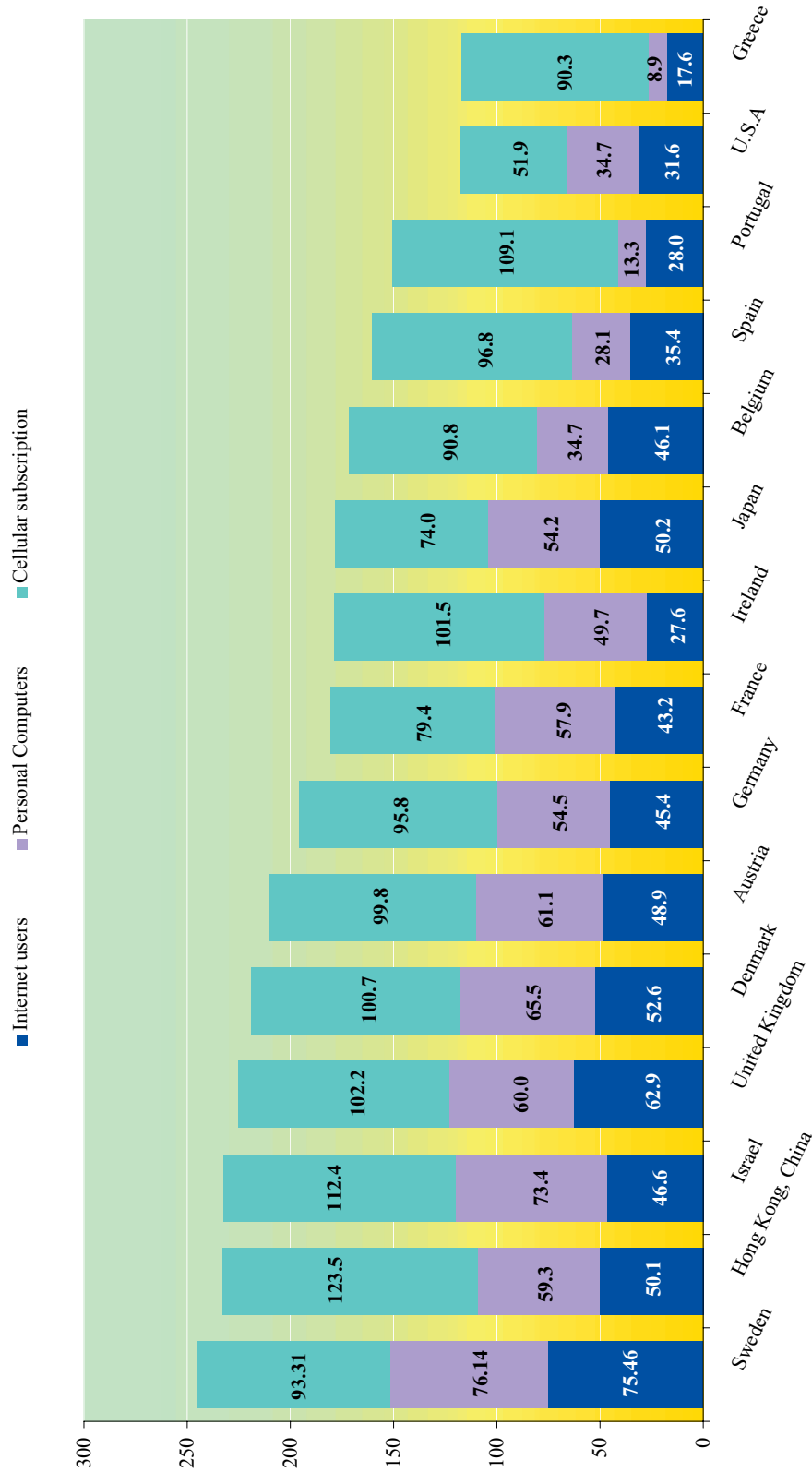


Source: Bank of Israel report, 2006

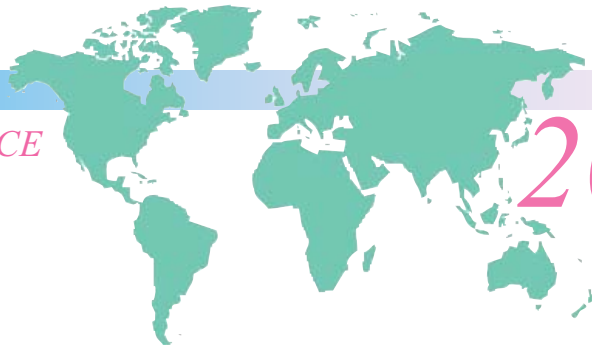


INFORMATION TECHNOLOGY INDICATORS COMPARISON

SELECTED OWNERSHIP PER 100 INHABITANTS, 2005



Source: International Telecommunication Union.



TABLES



Main Indicators 2004-2007

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>04-07</u>
	Real annual percentage change				Annual average
Gross Domestic Product	5.0	5.1	5.2	5.4	5.2
Business Sector Product	6.8	6.7	6.4	6.2	6.5
GDP per capita	3.0	3.3	3.3	3.5	3.3
Fixed Capital Investment	3.1	12.7	6.5	12.0	7.4
Buildings and other construction works Investment	-10.2	-2.0	8.7	6.3	5.8

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>04-07</u>
					Annual Average
Current Balance (Billions of Dollars)	2.7	4.0	8.0	4.5	4.8
Net External Debt (Billions of Dollars)	-10.9	-20.3	-33.0	-44.6	-27.2
Consumer Price Inflation (Annual percentage change)	1.2	2.4	-0.1	3.4	1.7

Source: C.B.S., Ministry of Industry, Trade & Labor



Population, Immigration and Employment

	2001	2002	2003	2004	2005	2006	2007
Average Population (thousands)	6,439	6,570	6,690	6,809	6,929	7,054	7,180
Percentage change in average population	2.4	2.0	1.8	1.8	1.8	1.8	1.8
Immigration (thousands)	43	33	23	20	21	19	23
Employed Persons (thousands)	2,265	2,284	2,330	2,401	2,494	2,574	2,682
Unemployed Persons (thousands)	233	262	280	278	246	236	212
Unemployment Rate (%)	9.4	10.3	10.7	10.4	9.0	8.4	7.3

Source: C.B.S.



Main Industrial Indicators

Real Annual Percentage Change

	2001	2002	2003	2004	2005	2006	2007
Production	-5	-2.9	-0.3	6.9	3.7	8.4	4.5
Export	-5.1	-4.9	3.1	17.3	4.4	11.1	11.5
Employment	-3.2	-4.1	-2.3	1.1	1.6	2.9	3.9
Productivity	-1.9	1.3	2.0	5.7	2.1	5.3	0.6
Gross Investment	-16.2	-4.9	-8.7	8.3	6.2	26.6	23.0
Capital Stock	4.7	3.9	2.9	3.0	2.9	4.3	5.9

All figures refer to total industry excluding diamonds.

Source: C.B.S. , Ministry of Industry, Trade and Labor & Bank of Israel.



Imports of Goods (gross)

By Major Category
Millions of U.S. \$ (Current Prices)

	2002	2003	2004	2005	2006	2007
Consumer goods	4,335	4,257	4,977	5,330	5,901	7,511
of which, durable	1,882	1,733	2,150	2,312	2,513	3,501
Production inputs	22,981	24,584	29,936	33,340	35,155	40,491
Investment goods	5,767	5,342	6,020	6,226	6,746	8,572
of which, machinery & equipment	4,511	4,399	4,876	4,949	5,242	6,466
Total Imports	33,083	34,212	40,969	44,943	47,841	56,623

Source: C.B.S.



Exports of Goods (gross)

Millions of U.S.\$ (Current Prices)

	2002	2003	2004	2005	2006	2007
Agricultural exports	620	715	908	1,027	1,029	1,326
1.Citrus	58	62	74	97	81	114
2.Agricultural exports excluding citrus	562	653	834	930	948	1,212
Industrial exports	26,777	28,441	34,308	37,627	42,038	48,845
1.Polished Diamonds	8,468	8,991	10,577	12,061	12,737	14,569
2. Industrial exports excluding diamonds	18,309	19,450	23,731	25,566	29,301	34,276
Other exports	1,950	2,628	3,402	4,116	3,381	3,921
Total Exports	29,347	31,783	38,618	42,770	46,448	54,092

Source: C.B.S., Foreign Trade.



Israel's Foreign Trade Policy

Introduction

International trade plays a vital role in the economy of the State of Israel. Indeed, in recent years, the Israeli economy has integrated into the global trading system in a rapid and efficient manner, by implementing multilateral and bilateral trade agreements, as well as by pursuing a unilateral process of trade liberalization and structural reforms.

In harmony with the policy steps, aiming at the full integration of the Israeli economy into global trade trends, the Israeli economy has undergone a substantial process of structural reforms. In a relatively short time the Israeli economy has developed into a liberalized marketplace trading in a wide range of manufactured goods and services worldwide. Throughout the 1990's, mass immigration from the former Soviet Union, proactive economic policies, fiscal and monetary reforms pursued by the Israeli government, initiated a period of innovation and growth. The Israeli economy became open to competition from within and without, driven by the private sector. Intense entrepreneurial activity became the hallmark of the business environment, attracting the attention of foreign and local investors. The Israeli technological, research and knowledge based industries have gained world wide recognition and have served as an engine for economic growth.

(1) Trade Policy

Israel's trade policy objectives are as follows:

- Continued integration of the Israeli economy into the global trading system, through the use of policy instruments that relate to trade in goods, services, investments, competition, environment, intellectual property, development and others.
- Promoting and maintaining Israel's export competitiveness by expanding and updating the network of international agreements designed to promote trade, facilitate market access, eliminate non-tariff barriers and achieve sustainable economic growth.
- Increasing the efficiency of resource allocation, by enhancing reforms that aim at the introduction of greater competition and increased transparency in the domestic market.



- Creating an attractive climate for investors, businesspeople, consumers and the public as a whole.

Israel's trade policy is enhanced by a wide range of international agreements and commercial arrangements with countries and international bodies. In recent years, the Government of Israel has been pursuing its international trade policies in a well coordinated effort, along three paths in parallel: multilateral, bilateral and unilateral.

WTO

Israel is a founding and active member of the WTO. Israel respects and supports the fundamental principles and norms of the WTO i.e. non-discrimination, rule based system, transparency, consensus in decision-making, fair trade, progressive liberalization and special & differential treatment for Developing countries and Least Developed countries.

Israel supports the Doha Development Round of negotiations in the WTO, and hopes it will come to a successful conclusion.

Israel has faithfully implemented its Uruguay Round obligations. It took an active part in the negotiations on basic telecommunications and financial services. Its commitments under the Fourth and Fifth Protocols of GATS reflect open and liberal policies, as well as its willingness to achieve even greater liberalization.

Israel has also been actively participating in plurilateral trade arrangements initiated under the framework of the WTO such as the Government Procurement Agreement (GPA).

Israel was among the first group of WTO Member countries who signed on the Information Technology Agreement (ITA), in 1997. That Agreement called for the elimination of tariff duties on telecommunications equipment, computers and related equipment on an MFN basis.



(2) Bilateral Trade Agreements

Israel's bilateral trade agreements cover a substantial portion of Israel's international trade.

Israel has had free trade agreements with its major trading partners for many years - with the European Union since 1975, with the United States since 1985, as well as with the EFTA states since 1993. In November 1995, Israel and the European Union concluded a more comprehensive agreement to cover wide aspects of economic relations beyond trade in goods, enabling Israel's participation in the European Union's Research and Development Framework Programs.

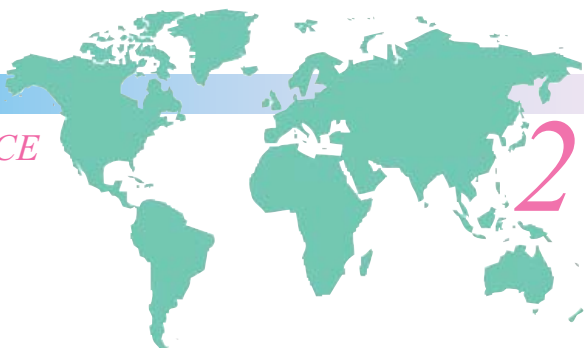
In recent years Israel and the EU have signed several agreements and protocols to further liberalize trade in agricultural goods, to include Israel in the Pan-European system of cumulation of origin, and the participation of Israel in the European space project of Galileo. During the last two years Israel and the EU have been involved in a wide ranging dialogue within the framework of the European Neighbourhood Policy. This includes issues such as negotiations on standardization, services and dispute settlement procedures.

As part of its policy to further open markets, and to maintain Israel's exports competitiveness in European and North-American markets, free trade agreements have also been signed with Canada (1996), Turkey (1997), and Mexico (2000).

Israel continues to explore new initiatives to expand its market access to other countries through either multilateral or regional agreements. Recently, Israel has been focusing its attention on Asia and Latin America, in the light of the growing importance of these regions in world trade. Israel and the MERCOSUR (Argentina, Brazil, Paraguay, and Uruguay) have concluded a Free Trade Area agreement. The Agreement awaits ratification. When entered into force, this Agreement will gradually eliminate most customs duties on trade in goods from both sides.

Economic relations with its neighbours in the Middle East are of particular importance to Israel. Israel has also initiated and signed regional trade arrangements; Qualified Industrial Zone (QIZ) Agreements, operating under the framework of the Israel-US free trade area agreement, have been concluded with Jordan (1997) and Egypt (2004). The QIZ Agreements have contributed enormously to the bilateral growth of trade between Israel and Jordan on the one hand and Israel and Egypt on the other hand. Israel is confident that regional economic cooperation will contribute to the peace process and to the well-being of all people in the region.





(3) Unilateral trade liberalization

In recent years, Israel has adopted a more liberal and open trade policy. An Import Policy Department has been established within the Foreign Trade Administration. Its mandate is to explore ways to further facilitate the flow of trade into, and out of, the Israeli market as well as to carry out liberalization steps. In the framework of the above-mentioned policy objectives, Israel has unilaterally liberalized its import policy regarding a relatively large number of countries, which had previously been subject to the import licensing mechanism.

The Free Import Order was last updated in 2006, and is now being updated anew. . This order deals with free imports of goods into Israel subject to import licensing requirements and/or standards, so as to ensure the safety and security of consumers and the public as a whole. As a result, the Government of Israel has introduced more transparency into the import licensing procedures, thereby removing bureaucratic barriers to trade.

(4) OECD

In May of 2007, Israel was among a handful of countries invited to begin membership talks with the Organization for Economic Cooperation and Development (OECD).

This event was the culmination of many years of preparatory work in various professional committees within the OECD to actively achieve this goal.

Israel enjoys observer status in a substantial number of OECD Committees and Working Groups and in a number of cases has achieved full membership status.

In 2002 Israel adhered to The OECD Declaration on International Investment and Multinational Enterprises, giving Israel full Member status in the Investment Committee and Working Party. Likewise Israel adhered to the Mutual Acceptance of Data in the Assessment of Chemicals in the framework of the Committee on Chemicals and again received full Member status to the Working Party on Chemicals.



Invest in Israel

Investment Promotion Center

Israel's track record of thriving innovation and its reputation for a talented workforce has accelerated the stream of foreign direct investment (FDI) to Israel, reaching \$24 billion in the last two years (14.3 in 2006 and \$10.2 billion in 2007). Israel's ground breaking entrepreneurship, breakthrough technologies, exciting business opportunities and high investment returns, helped rank the country 17th in the 2007 WEF Global Competitiveness Index, ahead of France, Australia and Ireland.

Invest in Israel is Israel's Investment Promotion Center at the Ministry of Industry, Trade and Labor. Its objective is to advance foreign direct investment into Israel. The unique process of branding Israel facilitates the creation of a "public product" from which all Israeli industry can benefit.

Invest in Israel main activities:

- Brand & position Israel as an attractive location for foreign investment
- Promote and sustain the presence of strategic multinationals in Israel
- Provide assistance to potential and current investors, before, during and after the investment process
- Establish investment information guidelines for foreign investors
- Produce a marketing "tool box" for the promotion of foreign investment in Israel

For more information on investing in Israel, visit www.investinisrael.gov.il,

email infoipc@moital.gov.il or contact the closest Israeli economic representative at www.investinisrael.gov.il/offices



Israel's International Trade and Economic Agreements

Free Trade Area Agreements	Protection of Investments	Avoidance of Double Taxation	Agreements on R&D	MFN Trade Agreements with non WTO Members
Canada	Albania	Austria	Funds	Kazakhstan
Mexico	Argentina	Belarus	Canada	Russian Fed.
U.S.A	Armenia	Belgium	Singapore	Ukraine
	Azerbaijan (1)	Brazil	South Korea	
E.U.	Belarus	Bulgaria	United Kingdom	Uzbekistan
			U.S.A	
E.F.T.A.	Bulgaria	Canada	Parallel Funding	Standardization & Product Certification
MERCOSUR (3)	China (1)	China	Argentina	Moldova
Turkey		Croatia	Belgium/ Flanders	Ukraine
Qualified Industrial Zones (QIZ) Agreements	Croatia	Czech Rep	Brazil	Turkey
Egypt	Cyprus	Ethiopia (1)	China-Jiansu (1)	Statement of Intent – MOITAL and US Consumer Product Safety Commission (CPSC)
Jordan	Czech Republic	Finland	Denmark	
	El Salvador	France	Finland	
		Germany	France	
	Estonia	Greece	Germany	
	Ethiopia	Hungary	Greece	
	Georgia	India	India	
	Germany	Ireland		
	Guatemala (1)	Italy	Italy	
	India	Jamaica	Maryland	
	Kazakhstan	Japan	Netherlands	
	Latvia	Latvia (1)	Norway	
	Lithuania	Lithuania	Ontario/CA	
	Moldova	Luxemburg (1)	Portugal	
	Mongolia	Mexico	Slovenia	
	Poland	Moldova		
		Netherlands	Sweden	
	Romania	Norway		
		Philippines	Turkey	
	Serbia-Montenegro	Poland	Uruguay (1)	
	Slovakia	Portugal	Victoria/Au	
	Slovenia	Romania	Virginia (1)	
	South Korea	Russian Fed	E.U	
	South Africa (1)	Singapore	Seventh Framework Program	
	Thailand	Slovenia	CIP (EIP)	
	Turkey	Slovak Republic	U.S.	
	Turkmenistan	S.Africa	U.S. Science and Technology Commission	
	Ukraine	S.Korea		
	Uruguay	Spain		
	Uzbekistan	Sweden	Other	(1) To be ratified Source: Ministry of Industry & Trade, Foreign Trade Department, International Division.
		Thailand	Eureka	
		Turkey	Galileo	
		U.K.	Clusters	
		U.S.A		
		Ukraine (1)		
		Uzbekistan		
		Switzerland		



Investment Incentives

Investment incentives are outlined in the Law for the Encouragement of Capital Investment* which was recently revised. The new Law differs from the previous one in that it adds a new path for incentives - an automatic one. The incentive programs can be divided into 2 main types:

1) The Grants program - administered by the Israel Investment Center (IIC), a department of the Ministry of Industry, Trade and Labor

2) The Automatic Tax Benefits program - administered by the Tax Authorities. To qualify, investment projects must meet certain criteria including: international competitiveness (as described in the law), minimal designated investment, high added value and registration of the company in Israel.

Once these criteria are met, the enterprise gains **Approved Enterprise** status from the IIC if it chooses the grants program, and **Beneficiary Enterprise** status by the Tax Authority if it chooses one of the tax benefits programs. It is then eligible for incentives, such as grants of up to 24% of tangible fixed assets (grants program only) and/or reduced tax rates, tax exemptions and other tax related benefits.

Location

The government grants scheme is affected in part by the location of the company's activities. Several regions in Israel have been declared National Priority Regions:

Priority Area A includes:

- The Galilee
- Jordan Valley
- The Negev

Jerusalem (for hi-tech enterprises)

- Priority Area B includes:
- Lower Galilee
- Northern Negev

Area C includes the rest of the country.

* The law is currently being reviewed and is expected to be modified as of January 2008.



Grant Program

The amount of the government grant is calculated as a percentage of the original cost of land development and investment in buildings (except in Area C), in machinery and equipment. This cost includes installation and related expenses. The percentages are:

Table 1

	Priority Area A *	Priority Area B
Industrial projects Up to NIS 140 million	24%	10%
Industrial projects Above NIS 140 million	20%	10%
Investment in hotels and other accommodations	24%	10%
Other tourist enterprises	15%	-

* Plus an additional grant of up to 8% for companies locating in the south ("Negev Law")

Time to Completion

Under the provisions of the grants scheme, 20 percent of the approved program for industrial projects should be completed within 24 months of the date of approval. The investment program must be completed within 5 years from the date of approval.

Tax Benefits

a) Grant Program

Companies choosing the grant program also receive tax benefits for a period of 7 consecutive years, starting with the first year in which the company earns taxable income (grants are not considered income). Tax benefits are determined by the percentage of foreign control: the more foreign control in the enterprise, the higher the benefits. If at least 25% of an Approved Enterprise's owners are foreign investors, the enterprise is eligible for a **10 year** period of tax benefits, as in the following table: (All figures are percentages).



Table 2

	Company owned by Foreign Investors				Company that is not an Approved Enterprise
	Tax rates by ownership stake (in %)				
	90 to 100	74 to 90	49 to 74	Less than 49	
Taxable Income	100	100	100	100	100
Company Tax	10	15	20	25	34
Balance	90	85	80	75	66
Dividend tax: 15% of balance	13.5	12.75	12	11.25	25
Total tax on distributed income	23.5	27.75	32	36.25	50.5

b) Automatic Tax Programs

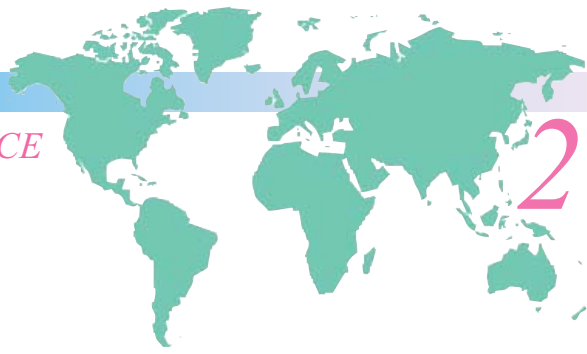
There are 3 types of automatic tax programs:

1. Alternative tax program.
2. Priority area program.
3. Strategic program.

1. Alternative tax program: A company can choose this program by waiving the project's rights to a grant and will receive **complete exemption** from corporate tax on its undistributed income, as detailed below.

Priority Area A:	Priority Area B:	Area C / Central Israel:
10 years of complete tax exemption	6 years of complete tax exemption and 1 year of tax benefits, 4 years for a foreign investor	2 years of complete tax exemption and 5 years of tax benefits, 8 years for a foreign investor





2. Priority area program: For companies investing in Priority Area A, benefits include:

- a. Corporate tax rate of 11.5%.
- b. Dividend tax rate of 15%, total tax rate of 24.5%.

For a **foreign investor**, the dividend tax rate is 4% and a total tax rate of **15%**.

The benefit period is for 7 years. If at least 25% of the company is foreign owned then the benefit period is **10 years**.

3. Strategic program: This program is intended mainly for large multi-national companies meeting the following criteria: an annual turnover of at least \$3 billion and a minimum investment of \$130 million in the project itself. Location: Priority Area A
Benefits include:

- a. Corporate tax – 0% (i.e. complete tax exemption).
- b. Dividend tax – 0%.
- c. Benefit period – 10 years.

Source: Investment Centre, Ministry of Industry, Trade and Labor.



Employment Grant Program

In order to complement the revised Law for the Encouragement of Capital Investments the government has established an additional program to increase employment in the outlying areas of Israel as well as specific centers with high unemployment.

Support will be granted for the establishment or expansion of industrial plants, telephone call centers, computer service support centers or logistic centers.

In order to be eligible for this program these enterprises have to employ a minimum number of workers at a minimum wage as detailed below.

The budget for this program is 450 million NIS (approximately \$100 million) spread over 3 years -150 million NIS per year. The maximum support per worker is 120,000 NIS (\$27,000) or 2,000 NIS per month.

The main points of the program are as follows:

The Format

In order to be granted the support from this program companies have to compete.

Twice a year companies are invited to make proposals. The budget allocated for each round stands at 75 million NIS.

Eligible Areas

- a. The "Furthest Periphery", south of 75 latitude (north of Carmiel) and north of the 258 latitude (Beer-Sheba)
- b. Priority Development Areas "A" and "B" as designated in the Law for the Encouragement of Capital Investments
- c. Designated towns of the Minorities population (Arab, Druze, Circassian) or the Ultra-Orthodox Jewish population.(Elad, Modi'in Elite , Betar Elite, Immanu'el)



Wages Level

The enterprise must pay its employees the following minimal wages at least:

- a. In the Minorities and Ultra-Orthodox towns, the minimum wage.
- b. In all other eligible areas - 6,750 NIS average monthly wages.

Number of Workers

The enterprises should employ a minimal number of workers.

With regard to a newly established plant:

- a. In the “Furthest Periphery” and in towns of the Minorities and Ultra-Orthodox – 15 workers
- b. In Priority Area “A” – 25 workers
- c. In Priority Area “B” – 50 workers.

With regard to an expansion – at least 20% additional workers.

Amount of Support:

The maximum amount of support granted is as follows:

- a. All areas: 15% of the cost of the average monthly wage of the additional workers employees, but no more than 120,000 NIS per worker for the entire period.
- b. Minority and Ultra-orthodox towns: as above. Enterprises paying wages below 6,750 will be entitled to support of no more than 60,000 NIS.
- c. In spite of the above the total average support per in each allotment round enterprise will not be more than 100,000 NIS per worker.



REMARK: This document is a summary of the original document in Hebrew. For full details of the Employment Grants Program the original Hebrew document should be consulted.

Incentives for Industrial R&D in Israel

The Office of the Chief Scientist (OCS) at Israel's Ministry of Industry, Trade & Labor is responsible for implementation of governmental policies regarding the support and encouragement of industrial research and development in Israel.

A variety of ongoing support programs developed and offered by the OCS, have played a major role in enabling Israel to become a key center for hi-tech entrepreneurship. This section highlights the OCS's local and international support programs.

Local Programs

Pre Seed-Seed

Magnetron

- Promotes technology transfer from academic institutions to industry via mutual cooperation between a company and an academic research program.
- Grants are up to 66% of the approved budget.
- No royalty payments.

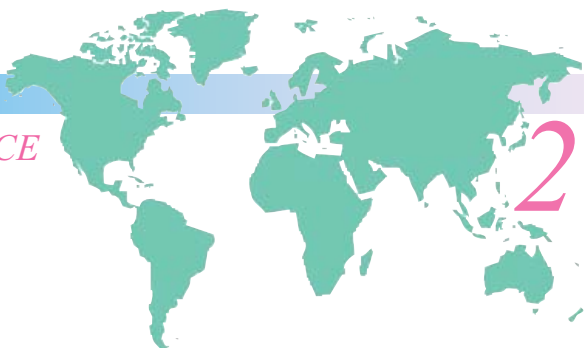
Noffar

- Designed to support applied academic research in biotechnology & nanotechnology in order to promote the transfer of technology to the industry.
- Grants are up to 90% of the approved budget.
- No royalty payments.

Tnufa

- Encourages and supports technological entrepreneurship and innovation at pre-seed stage.
- Assists individual inventors and startup companies during earliest stages of projects, including evaluation of technological and economic potential of idea, preparation of patent proposal for submission to authorities, construction of prototype, preparation of business plan, establishing contact with the appropriate industry representatives as well as attracting investors.
- Grants of up to 85% of approved expenses for a maximum of \$50,000 for each project.





Technological Incubators

- Provides a framework and support for nascent companies to develop their innovative technological ideas and form new business ventures in order to attract private investors.
- The program is open to private investors to become owners of incubators and to invest in the nascent companies at an early stage, enabling a greater return on investment
- Recent establishment of new Bio-Technology Incubator, open to bio-tech and pharma projects, provides professional services larger funds and extended incubation term.
- The program supports activities of Young Entrepreneurs Organization, in secondary and high-schools
- Grants are up to 85% of approved budget.

Hezneq – Government Seed Fund

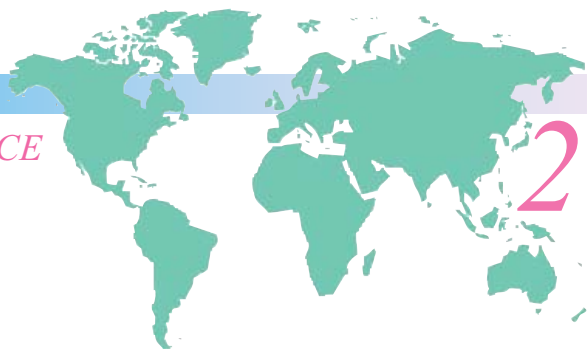
- Encourages investments and increases the number of new startup companies.
- The Government and the investor invest matching funds in a seed company; The investor is given an option to purchase the government shares.
- Grants are up to 50% of the approved work program.

Competitive R&D

R&D Fund

- Approved R&D program must last at least one year, result in the development of a new product or a significant improvement to an existing product. The development may also lead to a new industrial process or a significant improvement in an existing industrial process.
- Grants are up to 50% of the total approved R&D expenditures. The annual budget of \$300 million is spent on about 1,000 projects being undertaken by 500 companies.
- Proposals are approved by the Research Committee and are awarded grants according to the terms and conditions set by the Committee.
- Grants are provided as a percentage (between 20% and 50% depending on the circumstances and the estimated potential of individual projects) of the estimated R&D expenditures approved by the Research Committee.
- The Beta-Site Stage (interim stage between R&D and marketing) is recognized as an important and integral part of the R&D project, with the aim of testing the product in “real-life” situations, by being operated by selected end-users who give technical feedback and suggestions for product modifications. Assistance for this stage is given as part of the R&D grant.
- When a government assisted R&D project results in a commercially successful product, the company is obligated to pay royalties, which will be used to fund future grants to encourage and support industrial R&D. In general, royalty payments are a specified percentage of the total annual revenues derived from the sale of a developed product. Reports and payments are made semiannually.





Support of Traditional Industry

- A new support program, launched in 2005, offers separate evaluation and discussion for projects from traditional industries.
- Private consultation offered to companies applying to the OCS for the first time.

Pre Competitive R&D

Magnet consortium

- Supports the formation of consortia made up of industrial companies and academic institutions, in order to jointly develop generic, pre competitive technologies.
- Grants are up to 66% of the approved budget for industry and up to 80% for the academic institution.
- No royalty payments.

Research Institutes

- Supports R&D programs carried out by Research Institutes according to criteria.
- Grants are up to 90% of approved budget.

Generic R&D

- Encourages companies investing heavily in R&D to invest a significant percentage of funds in long-term generic R&D.
- Grants are up to 50% of the approved budget.
- No royalty payments.

R&D Centers in Universities

- Aims to create and develop technological infrastructure for industry use.
- Established “Russell Berrie Institute for Nanotechnology” at the Technion.
- Support is offered in cooperation with the Telem Forum , the Ministry of Finance, the Planning and Budget Committee of the Council for Higher Education (VATAT) and the Ministry of Defense.

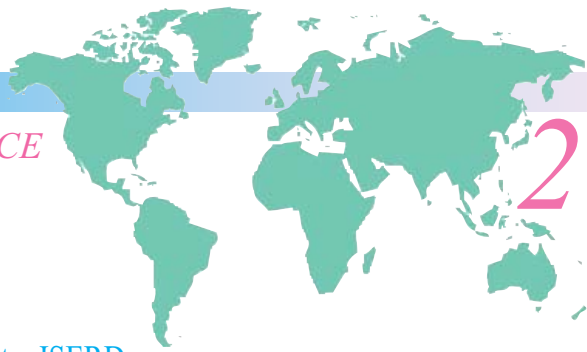
International Programs

Multinationals

Matimop

- Promotes and assists participation of Israeli companies in international bilateral or multilateral cooperation programs for industrial R&D.
- Promotes joint industrial development of advanced technologies.
- Maintains updated database of projects in range of advanced technologies and database of profiles of Israeli industrial companies seeking international cooperation.





Europe's R&D Framework Agreement – ISERD

- Israel is the only non-European country fully associated with the EU's Framework Program for Research and Development. The Framework Program is the main facilitator for research funding in Europe, bringing together industries and academic research.
- The program offers Israeli companies and research organizations an opportunity to participate in jointly implemented projects with European counterparts and thus become better integrated into European business and scientific communities.
- ISERD – The Israeli Directorate for EU FP7, operating through the Office of the Chief Scientist of the Ministry of Industry, Trade and Labor, is Israel's official National Contact Point (NCP) with the EU, for all FP activities .
- ISERD aims to promote joint Israeli-EU R&D ventures within the FPs.
- Grants to SMEs are 75% of the full cost with real overheads. Large industrial partners will receive 50% of the full cost with real overheads.

Eureka

- Eureka is the largest European program for Industrial R&D, supported by nearly 40 members states.
- Israel is a full member in Eureka since 2000, and will chair the program in 2010-2011. Currently Israeli companies take part in more than 10% of all running Eureka programs.
- Eureka is aiming to promote collaborative market-driven R&D projects in virtually all fields of civilian technology. Being SME friendly, over 40% of Eureka project participants are small/medium enterprises.
- The projects enjoy access to national and regional funding schemes. Israeli companies participating in the program are entitled to receive R&D grants from the OCS.
- Since 2008, Eureka operates together with the EU the Eurostars program, dedicated to support R&D performing SME's and start-ups in close to market R&D projects.
- Matimop is the Israeli national project coordinator (NPC) for Eureka, Eurostars and bilateral programs with European countries, regions and organizations..

The Global Enterprise R&D Cooperation Framework - GIRDF

- This program attracts prominent multinationals to forge investment cooperation deals with Israeli startups.
- The Framework's main purpose is to provide a friendly, favorable approach & supportive work environment ("one-stop-shop") for Israeli start-ups looking to collaborate with the MNC.
- Within this framework, both OCS and the MNC commit to equally invest in pre-selected R&D projects, conducted jointly by the MNC and the Israeli company.
- The MNC is not requested to invest money; instead it can provide the startup with facilities like: technological guidance, borrowing equipment, lab facilities, discounted software licenses, business mentoring, etc.
- The IP, created from the joint project, may be owned jointly by the startup and the MNC.



Bi-nationals

Bi-national Funds

- The program enables the participation in joint R&D projects with foreign counterparts.
- Grants are up to 50% of R&D expenses of each company from each state.

Fund Name	Countries	
BIRD	Israel - USA	(www.birdf.com)
BRITECH	Israel - UK	(www.britech.org)
CIIRDF	Israel - Canada	(www.ciirdf.ca)
KORIL-RDF	Israel - Korea	(www.koril-rdf.or.kr)
SIIRD	Israel - Singapore	(www.siirdf.com)

For further details on each of these funds see website address or contact OCS directly.

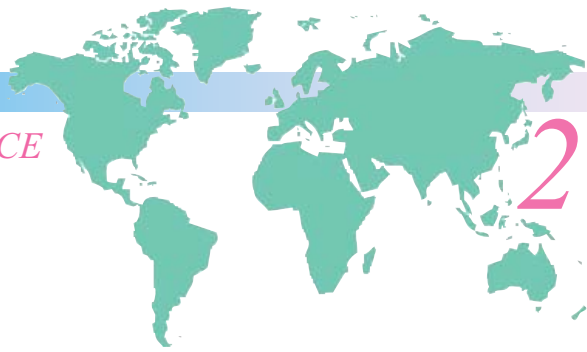
Bi-Lateral R&D programs

- The Government of Israel through the OCS has signed agreements together with other governments to actively support and encourage industrial R&D cooperation between Israeli and overseas industries.
- International industrial R&D cooperation will usually include access to know-how and technologies that are not otherwise readily available to the participants as well as access to new markets and the needs of the captive market of each industry.
- Matimop operates several R&D agreements with Italy, Belgium, Ireland, Germany, Holland, Spain, Portugal, Finland, France, Sweden, India, Turkey, Brazil, Argentina, Greece, China, Ontario (Canada) and Maryland (USA).
- The programs enable access to sources of national funding; Israeli companies taking part in the program are entitled to receive R&D grants from the OCS.

US-Israel Science & Technology Commission

- The US-Israel Science & Technology Commission creates an infrastructure for bi-national collaboration at the highest levels of government, academia and industry.
- The Commission acts for the removal of impediments and the development of a seamless work environment for conducting business and maximizing the contribution of science and technology to economic growth.
- The Commission focuses on Life Sciences, Clean Technology, Homeland Security and Aerospace.





ICA - Industrial Cooperation Authority

Highly developed technological skills and capabilities, make Israel in many aspects a very attractive country to do business with.

The body entrusted with advancing Industrial and Business Cooperation activities between foreign companies and Israeli entities, is the Industrial Cooperation Authority (ICA). ICA is the Israeli Government's arm, operating within the Ministry of Industry Trade and Labor, in charge of implementing and enforcement of the "[Mandatory Tenders Regulations](#)" (Mandatory Industrial Cooperation) 5767-2007, pertaining to the Mandatory Tenders Law, that apply to all Public Entities, including Government Ministries, their Authorized Units, Government Authorities, Health Care Establishments, Government Corporations, the Bank of Israel, the Knesset, Social Security Institute, and others.

These regulations are meant to ensure, that each Foreign Supplier shall commit to carry out Industrial Cooperation in Israel, due to being awarded with a supply contract for the sale of goods or services to an Israeli Public Entity, whether carried out as a result of a tender or not, in a manner of a direct sale, or through a local importer, thus shall be subject to an Industrial Cooperation Undertaking, only if the sale value exceeds the minimum amount of 5 Million \$, or a follow on sale to the Israeli Public Entity, the value of which exceeds 0.5 Million \$.

Participation in a tender issued by a Public Entity the value of which is expected to exceed the above mentioned amount, is subject to the submission – among other documents of the tender - of a standard Industrial Cooperation Undertaking form, in which the Foreign Supplier commits in case of winning the tender, to carry out Industrial Cooperation activities in Israel in the extent of 35% of the transaction value (or 50% in case of a defense related non FMF funded transaction, or 20% in case of a transaction falling under the rules of the GPA).

In addition to its undertaking, the foreign Supplier's participation in a tender issued by a Public Entity is subject as well to the submission of a fulfillment program for the ICA's approval. This program should specify the ways and manners in which the Foreign Supplier intends to fulfill its Industrial Cooperation Undertaking, the approximate value of transactions to be implemented with Israeli entities and the estimated time table of their execution.

Winning the tender and the award of contract to any foreign Supplier, is subject to ICA's approval.

Industrial Cooperation to be carried out in Israel, should be in a value as outlined above, and can be carried out by ways of Local Subcontracting, Investments, R&D funding, Know-How transfer, Procurement of Israeli products and Labor, and any other way to be approved in advance by the ICA.



In certain tenders, the ICA is entitled to require local subcontracting in the extent of 20% of the contract value to be carried out by the winning foreign Supplier, as a mandatory issue.

Due to its highly developed technological skills and capabilities, Israel is in many aspects a very attractive country to do business with. That fact can be easily proven by the firm presence of many foreign companies being engaged in long term mutually beneficial business relations with Israeli industries that actually began with a first Industrial Cooperation Undertaking, due to the sale of their product to the Government of Israel. Among these companies are listed world wide known companies with outstanding Industrial Cooperation performance in Israel like: General Electric, Siemens, ABB, Pratt & Whitney, Volkswagen, Intel, IBM, General Motors and many others. Your company can undoubtedly be one more member in this distinguished club.

More information about the ICA, its activities and services is presented on its web site:

<http://www.ica.gov.il>

Overseas companies as well as local enterprises are welcome to contact the ICA, regarding any subject, question or idea related to Industrial Cooperation in Israel, whether through the above web site or directly to the relevant person in charge, as outlined below.

Name	Title	Phone #	E-mail address
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