

Trump's tax plan can benefit Israeli businesses



1 Dec, 2016 13:15 Adv. Monte Silver

However, Adv. Monte Silver warns that Israeli startups may incorporate in the US to benefit from lower corporate tax.

Trump aims to make America great again. But how? Will building a wall opposite Mexico do it? Probably not. How about repealing Obamacare? Doubtful. As Bill Clinton said in his win over Bush, Senior, "It's the economy, Stupid," And as Trump is a businessman, it is likely that his focus will be generating jobs and more jobs.

How does he plan to do it? Like most Republicans before him, a centerpiece of Trump's economic strategy relates to taxes - reduce tax rates to increase the incentives to create businesses and jobs. If he indeed follows through with his stated tax policy, his victory will have significant implications on Israelis seeking to do business or invest in the US. The core components of his tax policy are as follows:

Drastically reduce corporate tax rates. Presently, US corporate tax rates are very high - about 35% at the Federal level, plus 7-8% at the state level, totaling up to 43%. This is compared to Israeli rates of 25%. Trump seeks to reduce Federal corporate tax rates to 15%.

The implications of such a tax cut is significant for large corporate Israeli investors seeking to buy US real estate and Israeli tech company seeking to establish business in America. If Trump succeeds in reducing the corporate tax rates, Israeli corporate real estate investors

will enjoy significant tax savings, and will enable them to avoid complex and costly tax planning which they must do today to avoid the high corporate rates.

In addition, Israeli startups will probably start establishing themselves as US companies with only R&D centers in Israel, rather than the opposite situation today where the startup is an Israeli company which has limited sales presence in the U.S. In both cases, Trump's tax plan will result in Israelis engaging in more business and investment activity in the US - a positive for the US.

Elimination of the Estate tax (Death tax). Presently, an Israeli individual investing in the US is subject to a death tax of up to 40% of the value of assets that the person holds in US assets above \$60,000. Should Trump succeed in eliminate this tax, a major hurdle will be removed for Israeli individuals seeking to invest in US real estate.

If history repeats itself, Trump will shortly declare what they seek to accomplish during his first one hundred days as president. And with Republican control of both houses of the Congress, it is very likely that he will succeed in accomplishing his goals. And his tax policy is a major goal of his. Accordingly, Israelis thinking about investing or doing business in the US, or selling US assets, should consider waiting a few months to see how the dust settles.

Monte Silver is a US tax attorney at Israeli law firm Eitan Mehulal Sadot. He previously worked at the I.R.S. and the US Tax Court. On December 7, 2016 he will be speaking at a seminar of tax planning involving issues of US tax residency.

Published by Globes [online], Israel business news - www.globes-online.com - on December 1, 2016

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