GUIDE TO GOING GLOBAL CORPORATE

Israel
INTRODUCTION


GUIDE TO GOING GLOBAL SERIES

To compete and be successful today, companies need to develop and scale their businesses globally. Each country presents its own set of unique laws, rules and regulations and business practices that companies must understand to be successful. In order to help clients meet the opportunities and challenges of expanding internationally, we have created a handy set of global guides that cover the basics companies need to know when going into and doing business in new countries. The Guide to Going Global series reviews business-relevant corporate, employment, intellectual property and technology, executive compensation, and tax laws in key jurisdictions around the world.

CORPORATE

The Guide to Going Global – Corporate has been created based on our research, our experience and feedback we have received from clients in both established and emerging businesses that have expanded internationally. We hope it will be a helpful resource for you.

The Guide to Going Global – Corporate covers corporate basics in 54 key jurisdictions across the Americas, Asia Pacific, Europe and the Middle East. We touch on a wide range of corporate issues for companies expanding internationally, including establishing a corporate presence and choice of entity, liability considerations, tax presence and tax filings, capital requirements, the formation process, director, officer and shareholder requirements, registration processes, office lease processes and possible exit strategies.

With more than 600 lawyers, DLA Piper’s global Corporate group is one of the largest in the world, with one of the widest geographical footprints of any global law firm and experience across the legal areas companies need as they expand internationally. With both global experience and local knowledge, we partner with our clients wherever they do business to find solutions and manage their risk in relation to their challenges and objectives.

While this guide provides high-level guidance, it is not a substitute for legal advice, and we encourage you to seek advice regarding the specific matters that concern you. If you wish to speak to any of our contributors, you may find their contact details at the end of the guide.

We hope you find this guide valuable, and we welcome your feedback.
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This is a general reference document and should not be relied upon as legal advice. The application and effect of any law or regulation upon a particular situation can vary depending upon the specific facts and circumstances, and so you should consult with a lawyer regarding the impact of any of these regimes in any particular instance.

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ISRAEL

FORM OF ENTITY

Company

Separate and distinct legal entity. Must be registered with the Israeli Registrar of Companies. Managed by a board of directors, which is responsible for making major business decisions and overseeing the general affairs of the company. Directors are appointed by the shareholders of the company. The general manager, if appointed (appointment is not required), is appointed by the board of directors and runs the day-to-day operations of the corporation. Other officers may be appointed.

Branch / representative office

A foreign corporation conducting business in Israel must register as a Foreign Company with the Israeli Registrar of Companies. The Foreign Corporation is regarded as the same legal entity as the Original Entity.

ENTITY SET UP

Company

- Unlimited number of shareholders. However, having over 50 shareholders will subject the company to different reporting requirements.

- Generally no personal liability of the shareholders.

- Taxed on its earnings at a corporate level and shareholders are taxed on any distributed dividends.

- Typical charter documents include: Certificate of Incorporation; and Articles of Association.

- Board of directors has overall management responsibility; general manager has day-to-day responsibility within the framework set by the board of directors and is subject to the board’s supervision.

- Shareholders typically purchase shares in the corporation, either common or preferred.
• The Company is subject to various annual corporate maintenance requirements such as: annual fee to the Registrar of Companies, appointment of auditors and filing of an annual report with the Registrar of Companies.

Branch / representative office

• Registration of an already existing corporate entity (excluding a partnership) organized outside of Israel (the Original Entity) with the Israeli Registrar of Companies

• Defined under the Israeli Companies Law – 1999, as a “Foreign Company”, and

• Not a separate legal entity (same entity as the Original Entity)

**MINIMUM CAPITAL REQUIREMENT**

Company

No minimal requirement.

Branch / representative office

Not applicable.

**LEGAL LIABILITY**

Company

Shareholders of a company are generally not liable for the debts of a company aside from their financial contribution to the company.

Branch / representative office

Same as the original entity.

**TAX PRESENCE**

Company

A company is taxed at two levels. First, the company pays a corporate tax on its corporate income; shareholders are then taxed on dividends distributed by the company (if distributed).

Branch / representative office

Only taxed at the corporate entity level on income.

**INCORPORATION PROCESS**
Company

Filing of various documents with the Israeli Registrar of Companies, including the company’s articles of association and other incorporation forms.

Branch / representative office

Filing of various documents with the Israeli Registrar of Companies, including a Hebrew translation of the Original Entity’s incorporation documents.

BUSINESS RECOGNITION

Company

Well regarded and widely used.

Branch / representative office

Well regarded and not uncommon for corporation with limited local presence (eg limited sales or marketing activity).

SHAREHOLDER MEETING REQUIREMENTS

Company

Required to hold a general meeting of the shareholders every year and no later than 15 months following the previous general meeting (unless otherwise determined in the articles of association). Unanimous written consents, in lieu of meetings, are generally permitted.

Branch / representative office

Not applicable.

BOARD OF DIRECTOR MEETING REQUIREMENTS

Company

The board convenes in accordance with the company’s requirements and at least once a year. Unanimous written consents, in lieu of meetings, are generally permitted.

Branch / representative office

Not applicable.

ANNUAL COMPANY TAX RETURNS
Company

Must annually file tax returns.

Branch / representative office

Must file tax returns annually.

BUSINESS REGISTRATION FILING REQUIREMENTS

Company

Depending on the type of business and is issued by the municipality in which the company’s facilities are located.

Branch / representative office

Depending on the type of business and is issued by the municipality in which the branch’s facilities are located.

BUSINESS EXPANSION

Company

No need to change as business expands.

Branch / representative office

No need to change as business expands. However, as the business expands, it may make sense to incorporate a local subsidiary instead of the representative office.

EXIT STRATEGY

Company

Voluntary liquidation is generally performed vis-à-vis the Registrar of Companies. Involuntary liquidation will generally require the involvement of the court and/or the Official Receiver.

Branch / representative office

Not applicable.

ANNUAL CORPORATE MAINTENANCE REQUIREMENTS

Company

Annual meetings of the board of directors and of the shareholders; filing of annual report with the Registrar of Companies; payment of annual fee to the Registrar of Companies. The company is also required to notify the Registrar of Companies of various changes within the company on an ongoing basis (changes in share capital,
shareholdings and directors, etc).

Branch / representative office

Required to notify the Registrar of Companies of various changes within the branch and/or the Original Entity (changes in the organizational documents or board of directors of the Original Entity, changes relating to the authorized signatories of the branch, etc).

DIRECTOR / OFFICER REQUIREMENTS

Company

Minimum of one director. General manager and other officers are not required.

Branch / representative office

Not applicable.

For more information on directors’ duties, see our Global Guide to Directors’ Duties.

LOCAL CORPORATE SECRETARY REQUIREMENT

Company

None beyond the required director.

Branch / representative office

Required to register the name and address of a person residing in Israel who is authorized to accept judicial documents and other notices on behalf of the Foreign Company.

LOCAL LEGAL OR ADMIN REPRESENTATIVE REQUIREMENT

Company

None beyond the required director.

Branch / representative office

Not applicable.

LOCAL OFFICE LEASE REQUIREMENT

Company
None required.

Branch / representative office
Not applicable.

**OTHER PHYSICAL PRESENCE REQUIREMENTS**

*Company*
None required.

*Branch / representative office*
Not applicable.

**SUFFICIENCY OF VIRTUAL OFFICE**

*Company*
Insufficient. While physical presence is not required, a company must maintain a valid local registered mailing address.

*Branch / representative office*
Insufficient. While physical presence is not required, a Foreign Company must be represented by at least one person who regularly resided in Israel.

**PROVISION OF LOCAL REGISTERED ADDRESS BY LAW FIRM OR THIRD-PARTY SERVICE PROVIDER**

*Company*
Allowed.

*Branch / representative office*
Allowed.

**PROVISION OF LOCAL DIRECTOR OR CORPORATE SECRETARY BY LAW FIRM OR THIRD-PARTY SERVICE PROVIDER**

*Company*
Allowed.
Branch / representative office

Not applicable.

NATIONALITY OR RESIDENCY REQUIREMENTS FOR SHAREHOLDERS, DIRECTORS AND OFFICERS

Company

None.

Branch / representative office

Required to execute a power of attorney in favor of a person regularly residing in Israel, authorizing him to act in its name.

RESTRICTIONS REGARDING APPOINTMENT OF NOMINEE SHAREHOLDERS OR DIRECTORS

Company

None.

Branch / representative office

Not applicable.

SUMMARY OF DIRECTOR’S, OFFICER’S AND SHAREHOLDER’S AUTHORITY AND LIMITATIONS THEREOF

Company

Directors are elected by the shareholders and are the highest authority in the management of the company, and govern the organization by establishing broad policies and objectives. In contrast, the general manager is appointed by the directors to oversee day-to-day operations of the company.

Branch / representative office

Required to execute a power of attorney in favor of a person regularly residing in Israel, authorizing him to act in its name.

PUBLIC DISCLOSURE OF IDENTITY OF DIRECTORS, OFFICERS AND SHAREHOLDERS

Company
Identity of directors and shareholders is publicly disclosed.

**Branch / representative office**

Identity of directors is publicly disclosed.

### MINIMUM AND MAXIMUM NUMBER OF DIRECTORS AND SHAREHOLDERS

**Company**

Shareholders – there must be a minimum of 1 shareholder, and while there is no maximum number, if a private company is not limited to less than fifty shareholders then it must file a balance sheet together with its annual report to the Registrar of Companies. Additionally, offering securities to over 35 individuals or entities may subject the company to various securities regulations and requirements (similar to those imposed on publicly traded companies).

Directors – there must be at least one director and there is no maximum number.

**Branch / representative office**

Not applicable.

### MINIMUM NUMBER OF SHAREHOLDERS REQUIRED

**Company**

There must be at least one shareholder.

**Branch / representative office**

Not applicable.

### REMOVAL OF DIRECTORS OR OFFICERS

**Company**

Directors are generally removed by a majority vote of the shareholders who appointed them. The board of directors appoints and removes the general manager.

**Branch / representative office**

Not applicable.

### REQUIRED AND OPTIONAL OFFICERS

**Company**
None required. Any optional officer is allowed.

Branch / representative office

Not applicable.

**BOARD MEETING REQUIREMENTS**

**Company**

The board convenes in accordance with the company’s requirements and at least once a year. Unanimous written consents, in lieu of meetings, are generally permitted.

Branch / representative office

Not applicable.

**QUORUM REQUIREMENTS FOR SHAREHOLDER AND BOARD MEETINGS**

**Company**

Shareholder meetings – Unless otherwise determined in the company’s articles of association, the presence of at least two shareholders holding at least 25% of the voting rights is required.

Board meetings – Unless otherwise determined in the company’s articles of association, the presence of a majority of the directors is required.

Branch / representative office

Not applicable.

**MUST A BANK ACCOUNT BE OPENED PRIOR TO INCORPORATION, AND MUST THE BANK ACCOUNT BE LOCAL?**

**Company**

It is not possible to open a bank account prior to incorporation. Once opened, the account is not required to be local (though recommended for convenience purposes). Bank account will be required in order to open tax files (tax files are required in order to have any significant business activity, engage employees, etc)

Branch / representative office

It is not necessary to open a bank account prior to registration. Once opened, the account is not required to be local (though recommended for convenience purposes). Bank account will be required in order to open tax files (tax files are required in order to have any significant business activity, engage employees, etc).
AUDITING OF LOCAL FINANCIALS. IF SO, MUST THE AUDITOR BE LOCATED IN LOCAL JURISDICTION, AND MUST THE COMPANY’S BOOKS BE KEPT LOCALLY?

Company

Companies are generally required to appoint an auditor. The auditor must be an Israeli certified accountant and the books must be in Hebrew and kept at the company’s registered offices.

Branch / representative office

Yes.

REQUIREMENT REGARDING PAR VALUE OF STOCK

Company

Nominal value is not required. However, when used the nominal value will generally not be lower than NIS0.01 per share.

Branch / representative office

Not applicable.

INCREASING OF CAPITALIZATION IF NEEDED

Company

Effectuated by shareholder action.

Branch / representative office

Not applicable.

SUMMARY OF HOW FUNDS CAN BE REPATRIATED FROM YOUR JURISDICTION (IE DIVIDENDS OR REDEMPTION)

Company

Generally by distribution of dividends, return of shareholder loans, etc.

Branch / representative office

Generally by distribution of dividends, return of shareholder loans, etc.

RESTRICTIONS ON TRANSFERABILITY OF SHARES
Company

Shares can be transferred to shareholders or other third parties, but are generally subject to the board of directors’ consent and registration of the transfer in the company’s shareholder register. The articles of association may apply various restrictions on transfer such a “right of first refusal” or “co-sale right.”

Branch / representative office

Not applicable.

OBTAINING A NAME AND NAMING REQUIREMENTS

Company

Names cannot be reserved and are subject to the approval of the Registrar of Companies. Names cannot be misleading, insult the public or its feelings and cannot contain registered trademarks unless given the consent of the holder of such trademark.

Branch / representative office

The branch will be registered under the same name as the Original Entity.

SUMMARY OF "KNOW YOUR CLIENT" REQUIREMENTS

Company

To open a tax file, the company will need to have bank account and the bank will have the “know your client” requirements under Israeli anti money laundering laws.

Branch / representative office

To open a tax file, the company will need to have bank account and the bank will have the “know your client” requirements under Israeli anti money laundering laws.

APPROVAL REQUIREMENTS FOR AMENDING CHARTER DOCUMENT

Company

The shareholders must approve any amendment by such majority as determined in the articles of association (simple majority, if not otherwise determined).

Branch / representative office

Not applicable.

LICENSES REQUIRED TO CONDUCT BUSINESS IN JURISDICTION
Company

Typically the only license required, if required, would be a business license issued by the municipality in which the company’s facility is located. However, the requirement of a business license, as well as other licenses and permits, is dependent on the type of business conducted by the company.

Branch / representative office

Typically the only license required, if required, would be a business license issued by the municipality in which the company’s facility is located. However, the requirement of a business license, as well as other licenses and permits, is dependent on the type of business conducted by the company.

PROCESS OF PURCHASING AND UTILIZING A SHELF COMPANY

Company

Not applicable.

Branch / representative office

Not applicable.

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