Investment and Joint Ventures

A combination of factors makes Israel attractive to foreign investors, especially in industries that use advanced technology and export most of their production. Skilled labour at relatively low wages, a modern infrastructure, sophisticated facilities for R&D, duty-free or preferential access to important markets of the world, double-taxation agreements with Canada, few foreign currency controls and a westernized society all create an advantageous investment environment.

Investment in Israel is generally financed by a combination of investor's capital, which can take the form of equity investment and bank financing. The Government of Israel and the Manufacturers Association encourage foreign investment and there are few restrictions except for some investments in regulated bodies (banking or insurance companies), which require prior approval.

In general, there are no limits on the level of foreign ownership in an Israeli entity except in the defence industry.

Investment Incentives

The Israeli government provides loans, grants, tax allowances and further incentives to encourage export-oriented or import-replacement industries, particularly to companies that create employment opportunities in development areas.

These benefits include:

- reduction of tax rates to as little as 10 per cent for a period of 10 years;
- grants of up to 38 per cent of the cost of fixed assets; or
- full tax exemption for 10 years instead of grants.

These benefits are available to investors in an "approved enterprise" once such status is accorded by the Israel Investment Centre.

Enterprises eligible for "approved enterprise" status must be owned by:

- an Israeli corporation;
- a foreign corporation registered in Israel;
- a foreign limited partnership registered in Israel as such; or
- a partnership comprising a combination of the above.