News story: UK signs new Israel tax agreement to boost investment

Financial Secretary to the Treasury Mel Stride today (17 January) signed a Protocol to update our double taxation convention (DTC) with Israel.

The Protocol to the UK/Israel DTC will facilitate investment in Israel by UK companies in a number of ways, including a reduction in the rates of Israeli tax payable on dividends paid from Israeli companies to the UK. Israeli investors into the UK will benefit from the same reductions on UK tax.

It also introduces modern anti-avoidance provisions that ensure only those companies engaged in genuine business activity can benefit from the treaty, and allows for the exchange of information between the UK and Israel.

Financial Secretary to the Treasury Mel Stride said:

> This agreement will facilitate UK investment into Israel by removing tax barriers to cross-border trade. It will also provide important protections against those who seek to use the treaty for tax avoidance purposes.

> I'm delighted to sign this deal with such a close ally, and pleased we now have a treaty that reflects the latest international standards. It is a sign of the continued excellent cooperation between our two countries.

Total trade in goods and services between the two countries increased by 2% last year, reaching £3.9bn in the year to July 2018.

The UK's leading exports to Israel are machinery and electrical equipment, while pharmaceuticals account for more than 70 per cent of Israeli exports to the UK. Israeli companies are major suppliers to the NHS.

With Israel's strong GDP growth, low inflation and falling unemployment rate, it continues to be a growing market for UK companies. Israel has an excellent reputation for innovation and invention and is a world centre for R&D.

The new Protocol provides UK companies with reduced rates of Israeli tax on dividends, interest and no Israeli tax on royalties, while UK Pension Schemes will suffer no Israeli tax on payments of dividends and interest. It also implements standards agreed as per the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project.

The signature of this agreement follows the signing of a separate Protocol to the UK's DTC with Cyprus. Former government staff, including ex-servicemen and women, drawing a pension in Cyprus were due to pay higher rates of tax from this year, under an agreement signed last March.

Treasury ministers agreed in December to a five-year delay to the tax changes after listening to the concerns of those affected.

Mr Stride said of the Cyprus Protocol:

> This agreement is great news for many of our highly valued ex-servicemen and women in Cyprus, who would otherwise have faced a big tax rise this year. I was determined to do the right thing by them.

This Protocol addressed concerns about how the DTC would apply to some individuals and so allows individuals to choose which basis of taxation they want to apply to their government service pensions.