

EXPERT COMMENTARY

Israel: Acquisition of Citizenship, Two Types of Passport, and Tax Implications By: Eli Gervits

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The Israeli nationality is somewhat unique compared to other nationalities, distinguishing between different categories of citizens. Two passports are issued in this respect by the State of Israel: an ordinary passport and the Israeli Laissez-passer. The latter is issued in exceptional circumstances, including to:

- Israeli citizens who have stayed more than 10 years abroad without visiting the motherland
- · Israeli citizens who have lost or destroyed two or more passports in a period of 10 years
- Most importantly, citizens who have just acquired Israeli citizenship status by virtue of the 'Law of Return' (new legislation in this respect passed in Israeli Parliament but legal practice hasn't taken shape yet)

Israeli citizenship can be acquired by birth, by way of the Law of Return, through residence or naturalization. Israeli citizenship is granted by birth to children whose mother or father are Israeli

citizens regardless of whether the child was born in Israel or outside of it.² This also applies to children born after the death of either parent, if the late parent was a citizen of Israel at the time of death.

The overwhelming majority of Israeli citizens who do not acquire their citizenship by birth receive it under the provisions of the Law of Return of 1950. Paying tribute to the history of persecution, the founders of the State of Israel proclaimed on its establishment the renewal of the Jewish State in the Land





¹ Israeli law firm Eli (Ilya) Gervits has requested recognition of the status by numerous countries in the world. See lessepase.zakon.co.il/лессе-пассе-мир-без-виз/

² See section 4 of the Nationality Law

of Israel, 'which would open the gates of the homeland wide to every Jew'.3 The Law of Return grants every oleh (a Jew immigrating to Israel) the right to become a citizen. Israel's Supreme Court proclaimed this law to be 'one of the most basic laws of the State',4 and the right of every Jew to make aliyah one of the core characteristics which forge the minimum definition of the State of Israel as a Jewish State.5 The Law of Return endows Jews, their children and grandchildren, and their respective spouses with the right to Israeli citizenship. Jewishness is inherited through the female side of the family. Therefore, a Jew is a person born to a Jewish mother. The Law of Return regulates neither method nor depth of the evidence to prove the existence of Jewish roots, and leaves this decision to the discretion of officials. However, an applicant's Jewishness (or that of his/her ancestors) must be supported by documents. There is no exhaustive list of the necessary documents nor of sufficient proof. However, the following examples can serve as such, provided they contain the required information about an applicant's Jewishness: birth certificates, passports, military cards and employment or study records, or recordings in semi-official dwelling books. The Law of Return was extended in 1970 to include the children and grandchildren of a Jewish person, the spouse of the child of a Jew as well as the spouse of the grandchild of a Jew. There are exemptions from the Law of Return, however, for people who were previously Jewish and voluntarily changed their religion. Further exclusions exist for people who are likely to pose a danger to public welfare and state security. Another interesting feature about individuals applying for Israeli citizenship by using their 'Jewish roots' is the fact that citizenship can be received upon arrival without the prerequisite of a period of residence. This can lead to someone obtaining the status of citizen prior to being a resident. Furthermore, it is worth noting that unlike in the following categories, those who obtained their nationality through the Law of Return are entitled to dual nationality and may retain their previous passport.

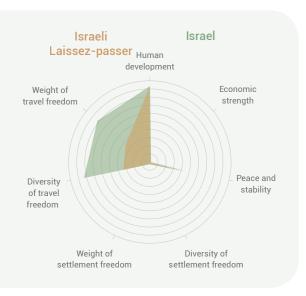
The previously described two ways to acquire Israeli citizenship require applicants to possess specific characteristics (being born to an Israeli parent or having close Jewish relations). Naturalisation is open to adults, though at the discretion of the Minister of the Interior and subject to the following requirements: applicants must have resided in Israel for three years out of the five years immediately preceding their application; they must be entitled to reside in Israel permanently and have settled or intend to settle in Israel; and they need to renounce their prior nationality, or have proven that they will cease to be foreign nationals upon becoming Israeli nationals (Section 5 of the Nationality Law).

Interestingly, Israel appears to be the only country in the world to provide two different types of travel documents to its citizens without distinguishing between different classes of citizenship, but depending solely on their residence status. Israeli natives and new repatriates who have been living in Israel permanently for a long period hold the international passport (in English 'passport', in Hebrew 'darkon'), while people who only recently received their Israeli citizenship or who do not constantly live in Israel are granted an international 'provisional passport' (mistakenly named 'laissez-passer'). The passport of Israel is ranked 48th alongside the passport of Paraguay, with a total value of 44.6% and is of High Quality while the Israeli Laissez-passer occupies the 100th place with 29.5% and is of Medium Quality. Today, 147 countries allow visa-free travel or visa-on-arrival to Israeli citizens holding a 'passport'. There are only 58 countries, however, which officially allow visa-free travel or

³ See The Declaration of the Establishment of the State of Israel at jewishvirtuallibrary.org/the-declaration-of-the-establishment-of-the-state-of-israel accessed 29 January 2017

⁴ See HCJ 265/87, Beresford v Minister of Interior, 43 PD (4) 793 (1989)

⁵ See EA 11280/02, Central Elections Committee for Sixteenth Knesset v MK Tibi, 57 PD (4) 1, para. 12 (2003)



visa-on-arrival to Israeli citizens holding 'provisional passports'.⁶ This list includes all Schengen countries, the Russian Federation, New Zealand, Singapore, Hong Kong and Japan. However, despite this fact there is no difference between these two categories in other respects, such as the acquisition of assets or the opening of bank accounts in other countries.

One very attractive aspect of a newly acquired Israeli citizenship is the 10-year tax exemption for most income generated abroad. Taxation in Israel is personal, and Israeli tax residents must pay taxes in Israel on their incomes generated anywhere in the world. However,

new Israeli citizens are exempt from this rule for a period of 10 years in respect of their global, non-Israeli income and their obligations to pay taxes. If, after obtaining citizenship, the main place of residence of the new citizen remains outside of Israel, and he spends less than 183 days per year within the country, he is not considered an Israeli tax resident. Moreover, if a new citizen spends more than half the year in Israel, or transfers his "center of interests" to Israel in other way, the tax authorities grants him vacation of taxes within the ten-year period for his income from abroad. Moreover, this 10-year period comprises not only the exemption of taxation, but also the duty to report such income.

⁶ In addition, some countries, for example Republic of Korea, in practise permit entry to their territories by the holders of 'provisional passports', but do not confirm this fact officially

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