



Buying a new home

» By Yair Aloni and Johana Bensoussan

Immigrating to a foreign country is not an easy process. It involves a new and unfamiliar environment, a new language, a new job, a new school for the children, and finding a place to live.

This last is in itself not an easy process. The State of Israel, which strongly promotes immigration, was aware of these difficulties from the start. In 1950 when the state was just 18 months old, the government passed a law called The Law of Return. The law specified who was eligible to immigrate: Jews and their descendants up to the third generation, in addition to the benefits they were entitled to, such as tax breaks or grants. Those entitled to benefits are

called "olim hadashim" in Hebrew (singular *oleh hadash*).

In Israel, most people own the dwelling in which they reside. Renting is a somewhat haphazard situation because there are practically no apartment buildings that were built specifically for rental purposes. Apartments for rent are usually owned by individuals and consequently are not long-term rentals.

This means that the best way to ensure having a permanent roof over one's head is to buy an apartment. In Israel, purchasing an apartment as a veteran resident is complicated enough, but it is doubly so for a new immigrant. It requires

the assistance of an experienced lawyer who speaks Hebrew, and preferably the language of the purchaser as well, and understands his or her special needs. It is also advisable to obtain legal advice during the negotiations. This is especially true when one has to sign any document.

The following are a few of the elements involved in buying a home.

Land purchase tax

When buying a property in Israel, there are tax issues that must be addressed, such as the land purchase tax. The level of the tax ranges from 0% to 10%. It varies

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according the value of the property.

A person who doesn't own a home or owns one and is selling it to buy a new one pays no tax on a property of up to NIS 1,600,175. The tax increases to 3.5% if the apartment costs from the previous amount to NIS 1,898,005, and to 5% on properties valued from NIS 1,898,005 to NIS 4,896,615. The tax rises to 8% for properties valued up to NIS 16,322,055 and 10% for properties priced above that amount.

If after the purchase of the apartment the buyer will own more than one dwelling, the purchase tax for properties of up to NIS 4,967,445

amounts to 8%. Above that price, the purchase tax is 10%.

New immigrants may request a reduction in the purchase tax for a residential property and other types of real estate. They are entitled to a 0.5% rebate on properties up to NIS 1,734,225 and of 5% on properties above that price.

They are entitled to such a rebate if the property was acquired within seven years of immigration or up to one year before immigration. In addition, the property must be occupied or used by the immigrant or close relatives and not rented out, even to family members.

Special mortgages

New immigrants are entitled to specially subsidized mortgages. On receipt of the certificate of eligibility (*teudat zakaut*) from the Israeli Ministry of Housing, certain state-subsidized mortgages are available to them.

The level of subsidy and the benefits are dependent on a number of criteria. These include age, family status, number of years in Israel and, if applicable, military service and physical disability. These mortgages are granted for up to 15 years after immigration and apply to the purchase of one's first home in Israel.

City tax rebates

The municipal tax (*arnona*) is paid by the actual occupant of the property, whether the occupant is the owner or a tenant. The tax level is fixed by the municipality. New immigrants are entitled to a reduction of up to 90% (depending on location) on properties of up to 100 square meters for 12 out of their first 24 months in Israel.

The above is only a partial list of benefits and issues related to the purchase of an apartment in Israel. Every transaction is unique, and one should obtain legal advice from an attorney who specializes in real estate and is fluent in the mother tongue of the client.

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