

Retirement Update - Israel

September 2023

Changes to Managers' Insurance

As of 1 September 2023, employees who do not have a managers' insurance policy will not be able to enroll in this program for their first layer of salary up to the current monthly comprehensive pension contribution limit of 4,866 ILS (based on a monthly salary of 23,360 ILS with total contribution of 20.83%).

- An employee will be able to join a managers' insurance policy only if their salary exceeds the comprehensive pension ceiling and only on the balance of their salary and not from the first shekel.
- This does not affect any pre-existing allocations to managers' insurance policies, but only affects new employees and current employees wishing to make changes to their arrangements.

➔ *There is no action currently required by employers. New employees or employees wishing to make a change to their current allocations are recommended to arrange a meeting with their insurance agent to discuss.*

161 Termination Form - Update

The Israeli Tax Authority has launched a new 161 termination form which will come into use as of 1 November 2023 (postponed from 1 July 2023). The form will be in a new format and will combine the employer report (161) and the employee decision section (161a) into one centralised form.

The main changes in the structure of the form and the process are as follows:

- Increasing the employer's responsibility ahead of filing the form with the Tax Authority
- Increased requirement for data and information
- Reference to severance amounts that were taxed on contribution
- Reducing the requirement of the employee to meet with a Tax Assessor
- Consolidation of employer and employee reporting into one form
- Ensuring a smooth termination process for the employer and employee

➔ *There is no action currently required by employers. From 1 November 2023 Payroll providers and Funds Administrators will transition to using the new form.*

Trust Account - Update

Cancellation of the use of a Funds Administrator Trust Account for transferring retirement (and related) payments has been postponed to 1 February 2024.

➔ *Action – ahead of 1 February 2024, companies should ensure that their payroll function has implemented an alternative method for transferring monthly payments to the insurance companies.*